

Takeshita Signals Activist Role Abroad

By Patrick L. Smith
International Herald Tribune
TOKYO — Although Prime Minister Noboru Takeshita's first speech to the Japanese parliament on Friday focused on domestic issues, many analysts also viewed it as a strong indication of the new Japanese leader's intention to take an activist approach to foreign affairs.

The analysts also said that in linking political and economic reforms at home to the nation's relations abroad, Mr. Takeshita was signaling Western allies and Asian neighbors that he would continue the outward-looking policies of his predecessor, Yasuhiro Nakasone.

While he intended to reassure other nations, the prime minister's address was also a reminder that managing Japan's relations with the rest of the world was likely to prove his most formidable challenge.

Mr. Takeshita, who took office earlier this month, has been widely seen as a domestically oriented politician who holds the traditional values of the Japanese village in highest esteem.

Accordingly, the prime minister has sought to dispel the im-

pression that he lacks the experience and global awareness of Mr. Nakasone.

His speech Friday, in which he called on the Japanese to "harmonize" with the rest of the world, was viewed as part of this effort.

Mr. Takeshita's primary task, policy experts say, will be to re-

NEWS ANALYSIS

concile Japan's close U.S. ties with a growing restiveness about the United States among many Japanese. Although relations with Washington have been smooth with regard to security issues, they have reached a low point on economic and trade matters.

More broadly, the nation's new leader must balance a new set of demands being pressed upon Japan by its allies against constitutional limitations on its military and security roles.

"Foreign policy is going to be the single most difficult aspect of Takeshita's administration," a Western diplomat recently said. "Japan can't take a single step without running into one of its taboos."

Those taboos include Japan's constitutional repudiation of war,

its disavowal of nuclear weapons and a military role strictly limited to self-defense.

Recent contributions to global summits on issues of arms control and security, as well as economic relations, are a source of national pride. At home, the pace at which the nation is assuming greater responsibility for its own defense is unprecedented in the postwar era.

The ultimate issue, many Japanese analysts say, is this: How can Japan articulate a foreign policy of its own within the context of its close identification with the United States?

"It's not a matter of being different for the sake of it," an Asian diplomat said. "But they're groping for a distinctive position, a set of foreign policies that can credibly be called a Japanese contribution."

In attempting to accommodate U.S. demands for more open markets — a task to which Mr. Takeshita committed himself on Friday — the prime minister must face the fact that much of the pressure for domestic reform is external.

While U.S. officials continue to press for concessions, there is an

increasing sense of outspokenness in Japan, which some observers believe may lead the nation to drift away from its close involvement with the United States.

"We have the world's largest creditor nation dependent on the world's largest debtor for its security," said Masashi Nishihara, a professor of international relations at the National Defense Academy. "It's embarrassing to us. It's a situation that will have to be changed."

Relations with China have become equally frayed. Beijing has signaled a limit to its ties with Tokyo by its frequent references to Japan's militarist past. Analysts have also begun to worry that relations with South Korea, which improved under Mr. Nakasone, will come under the same nationalistic pressures that now color Seoul's relations with Washington.

On many other fronts, Japanese diplomacy has boiled down to a similar pattern of assertion and retreat. After a warming trend, relations with Moscow have cooled. While maintaining an independent position in the Gulf, Tokyo is apparently bowing to U.S. pres-



Noboru Takeshita

sure to improve its somewhat distant ties with Israel.

Despite the disappointments and contradictions, many Japanese officials remain convinced that Mr. Takeshita has ample room in which to develop a more meaningful Japanese foreign policy, one that will satisfy its allies and those people at home eager for Japan to secure its place among world leaders.

159 Feared Dead as Jet Goes Down Off Mauritius

Reuters

JOHANNESBURG — The bodies of five of the 159 people feared dead in South Africa's worst civil air disaster were recovered Sunday from the Indian Ocean, more than 24 hours after the crash of the jet to jet in which they were traveling.

Mauritius officials said more bodies and debris were likely to be found from the South African Airways Boeing 747, which plunged into the sea Saturday while enroute to Mauritius from Taiwan.

The bodies of a male and a female, whose nationalities and identities were not immediately known, were recovered early Sunday morning by a French naval vessel that joined the search from the nearby French island of Réunion.

A third body, that of a female, was recovered later, said an airline spokesman, Nico Venter. Two other bodies were also recovered, but mutilated that it was not immediately possible to determine their identities. All were being taken to Mauritius for identification.

Baggage, oil slicks and fragments of the aircraft have been seen in an area about half a mile wide and six miles (10 kilometers) long. Radio South Africa said a radio signal apparently emitted by one of the aircraft's dinghies had been detected.

Australian and U.S. aircraft also took part in the search, which was difficult because the spot where the plane went down, about 130 miles northeast of Mauritius, was too far away for search parties from the island to use helicopters, Radio South Africa reported.

South African experts said recovery of the jet's flight recorder, which could provide clues to the cause of the accident, would be also difficult because the aircraft crashed in 12,000 feet (3,600 meters) of water.

The plane went down as it approached Mauritius for refueling on its way to Johannesburg. On board were 71 South Africans, including 19 crew members, and 30 Taiwanese, 47 Japanese, 2 Australians, 2 Mauritians, 2 from Hong Kong, and one each from the Netherlands, Britain, West Germany, Denmark and South Korea.

The cause of the crash remained a mystery. The only clue was the last message radiated by the pilot, Captain David Uys, who reported engine trouble in the cockpit when the aircraft was 10 minutes away from Mauritius.

Mr. Venter, the airline spokesman, denied reports that the aircraft left Taiwan late because of a bomb threat or technical problems. Although the departure from Taipei had been delayed an hour, Mr. Venter said, this was because of poor weather and the need to wait for connecting passengers.

On an earlier occasion, there was an explosion in one engine of the aircraft, which was assigned to carry freight and passengers. But transport officials dismissed any link between that and the crash.

Plane Vanishes Near Burma on Flight to Seoul

The Associated Press

SEOUL — A Korean Air Lines jet with 115 people aboard on a flight from the Middle East was missing Sunday near Burma and might have crashed into the sea or thick jungle, officials said.

An official at Seoul's Kimpo International Airport said KAL Flight 658 from Baghdad to Seoul vanished and officials were trying to determine what happened. "It just disappeared," said one official, who asked not to be identified.

The four-engine Boeing 747 was carrying 95 passengers and a crew of 20, the airline said. All but two of the people aboard were South Koreans, officials said. The Burmese Civil Aviation Administration in Rangoon said the plane was over the Andaman Sea about 150 miles (240 kilometers) west of the Burmese coastal town of Tavoy when contact was lost.

Burmese officials said the plane was making routine contact with air-traffic controllers at Rangoon's airport before proceeding into Burmese airspace when it disappeared. Burmese officials told South Korea a search operation had begun, but initial sweeps found nothing, officials in Seoul said.

Airline officials said if the plane went down it could have crashed in thick jungle or the sea, where it would be difficult to find. They said the plane was flying at 37,000 feet (11,310 meters) when last heard from.

Travelers Rescued in China

The Associated Press

BEIJING — About 1,000 travelers have been rescued after being stranded for days by snowstorms in a remote area of western China, the Xinhu news agency said Saturday.

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WORLD BRIEFS

Bulgarian Technology Theft Is Traced

ATHENS (NYT) — Greek, Cypriot and NATO security agencies have traced a Bulgarian network that stole military-oriented Western technology for the Eastern bloc, according to business people who were formerly involved in the network. Greek security officials confirmed the account.

The business people, who later helped the authorities uncover the operation, said that the Bulgarian network had been under surveillance for two years before the authorities stepped in. In the meantime, a Greek security official said, Eastern European countries acquired U.S.-made computers and programs useful in research on ballistic missiles and in the operation of nuclear plants.

The business people identified the Bulgarians who coordinated the operation as Stefan Stoyanov, 40, and Ivan Simeonov, 36. Mr. Stoyanov, who was based in Vienna with the Bulgarian trade mission, has returned to Sofia. Mr. Simeonov is president of a Bulgarian company called INCO. In one instance, Mr. Stoyanov used a West German company to order a powerful computer from the United States, the business people said. They said it was shipped to Cyprus and re-exported to Bulgaria as "office equipment."

Pelting by Crowd Stops Roh's Speech

KWANGJU, South Korea (Reuters) — Crowds throwing bottles, rocks, eggs, and tear-gas canisters forced Roh Tae Woo, the governing party's candidate for president, to abandon on Sunday a campaign speech in Kwangju, the power base of the opposition candidate Kim Dae Jung.

Tens of thousands of anti-government protesters chanted "Kim Dae Jung, Kim Dae Jung," and some burned Mr. Roh's campaign posters and threw the projectiles, injuring several people, as Mr. Roh arrived for a rally at the Kwangju railroad station and began his speech. He was not injured.

After he left, protesters marched through the streets chanting, "Let's execute the Kwangju butcher," a reference to the army's suppression of a 1980 of a civil insurrection in Kwangju, in which more than 200 civilians were killed. Witnesses to the Sunday protest said that riot police tear gassed the crowd and made dozens of arrests.

Mozambique Says It Killed 100 Rebels

MAPUTO, Mozambique (AP) — The army overran a major guerrilla base near the South African border, killing 100 rebels and capturing eight, the national news agency reported Saturday.

The agency quoted Major Paulina Macaranga, the operation commander, as saying the army "stormed the base" Wednesday after two days of fierce fighting with guerrillas of the Mozambique National Resistance movement.

Tamil Rebels Attack Crowd, Killing 5

COLOMBO, Sri Lanka (AP) — Tamil rebels threw hand grenades in a crowd of fellow Tamils waiting for food packages handed out by Indian soldiers at Chavakachcheri, near Jaffna in northern Sri Lanka, killing five persons, Indian diplomats said.

Separately, on the eastern part of the island, Indian troops backed by helicopter gunships and armored vehicles searched for Tamil rebels in at least four fishing villages near the Batticaloa lagoon, 140 miles (225 kilometers) east of Colombo, the police and residents said Saturday. Hundreds of people fled and reported hearing explosions and continuous gunfire, according to the police and civic leaders in Batticaloa.

Titan Orbits Secret Military Satellite

CAPE CANAVERAL, Florida (AP) — A secret military satellite that a civilian expert said would provide instant warning of an enemy missile attack has been sent into orbit by a Titan-34D rocket. It was the second straight success for the Titan after being grounded for 18 months following earlier failures and the explosion of the space shuttle Challenger.

Although the payload orbited Saturday was not identified by the air force, John E. Fike, a space policy expert for the Federation of American Scientists, said it was one of a series of U.S. satellites that have been launched during the last decade to provide early warning of a hostile missile attack.

For the Record

Egypt allowed the Palestine Liberation Organization to reopen its Cairo offices Sunday, seven months after they were closed in retaliation for PLO criticism of Egypt. Foreign Minister Essam Abdel Meguid, who announced the decision, did not give a reason. (AP)

TRAVEL UPDATE

Alitalia, Citing Strikes, Cancels Flights

ROME (AP) — Alitalia, the national airline, is canceling about 50 flights a day on Sunday, Monday and Tuesday because of wildcat strikes by ground workers.

Train conductors, meanwhile, were scheduled to walk out after a weekend wildcat strike by engineers that paralyzed rail traffic throughout Italy.

Nine unions of Air Inter, France's main domestic airline, have called a 24-hour strike Monday, which is expected to cause serious disruption in traffic. Air Inter said it was adding supplementary flights Sunday night and Tuesday morning. The stoppage was to protest a ruling last week by French courts that a strike notice by pilots was illegal. (AP)

A strike at Air Canada by about 8,500 ground workers forced the government-owned airline to cancel all flights Saturday. Talks broke down Nov. 15 over a demand that pensions be indexed to inflation increases. The strike began Thursday. (Reuters)

Krasnoyarsk airport in Siberia was closed Sunday for the fifth consecutive day because of a shortage of fuel for planes. (Reuters)

Dense fog that reduced visibility to about 100 yards (90 meters) forced authorities at London's Heathrow Airport on Sunday to cancel or divert more than 200 flights. (UPI)

This Week's Holidays
Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

MONDAY: Barbados, Benin, Philippines, South Yemen, Yugoslavia.
TUESDAY: Central African Republic, Macao, Portugal, Yugoslavia.
WEDNESDAY: United Arab Emirates.
THURSDAY: United Arab Emirates.
FRIDAY: Sri Lanka, Thailand.
SATURDAY: Haiti.
SUNDAY: Finland.

Source: Morgan Guaranty Trust Co., Reuters.

DOONESBURY



Turkey Holds Elections Free of Army Control

By Alan Cowell

New York Times Service

ANKARA, Turkey — For the first time in seven years, Turkey voted Sunday in national elections free of military supervision, a poll depicted as reinforcing the revival of democracy.

With 20 percent of the votes counted, Prime Minister Turgut Ozal seemed confident of a widely predicted victory. "I think that up to now, we must be the winner of this election," he said.

Incomplete returns five hours after voting ended at 5 P.M. showed Mr. Ozal's Motherland Party generally ahead with 35 percent to 40 percent of the vote — enough, under Turkish electoral rules, for an absolute majority of parliamentary seats.

The election, called by Mr. Ozal a year ahead of the constitutional deadline, was the first since the coup to be contested by former Prime Ministers Süleyman Demirel and Bulent Ecevit and other politicians barred by the military from seeking office.

The compulsory election by the nation's 25 million voters passed

off with little fanfare in Turkey, the staunchest bulwark of the Western alliance, whose door approach to politics seems in part a response to the chaos that preceded the nation's last military coup in 1980.

Approximately 5,000 Turks died in political violence in the late 1970s nurtured by stalemate and bickering among politicians.

The generals withdrew in 1983 after overseeing an election that brought to power Mr. Ozal, a conservative and architect of an economic renewal. He has long sought to legitimize his rule in a free vote.

Opinion surveys before the election forecast a renewed mandate for Mr. Ozal's party in a parliament expanded from 400 to 450 seats. The Turkish leader, speaking after the polls closed, forecast victory.

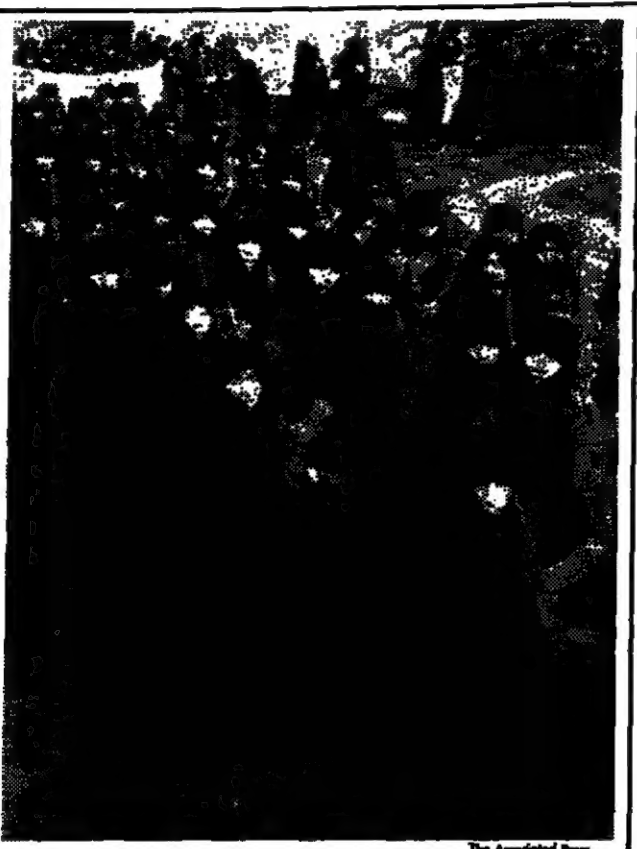
Official results were not expected until later in the week.

The election, called by Mr. Ozal a year ahead of the constitutional deadline, was the first since the coup to be contested by former Prime Ministers Süleyman Demirel and Bulent Ecevit and other politicians barred by the military from seeking office.

The bans were lifted in a narrow referendum on Sept. 6 that reflected apprehension among many Turks about the possible revival of political turmoil.

The contenders Sunday included politicians from what are perceived as the extremes of Turkish politics — Necmettin Erbakan, courting an Islamic fundamentalist vote in a secular land peopled mainly by Muslims, and Akis Karatas, from the far right.

Opinion surveys, however, suggested that the principle contest lay between Mr. Ozal and Erdal Inönü, a Social Democrat and the son of a former Turkish president, Ismet Inönü.



BATTLE DRESS — A group of Iranian women armed with rifles marched Sunday in Shiraz Stadium in Tehran as part of "Women's Mobilization Day." Thousands of women took part in the event, which was designed to show support for the war against Iraq.

Freed Foe of Apartheid Delivers Speech of Hope

New York Times Service

PORT ELIZABETH, South Africa — In his first speech since his release three weeks ago, a freed African National Congress leader, Govan Mbeki, delivered a message

of political hope and reconciliation.

Mr. Mbeki made his first public speech on Saturday to a small group of foreign newsmen and Western diplomats in a seafaring hotel after the police banned a political rally 18 hours before it was due to begin.

Speaking at a news conference four and a half hours after the rally was to have started, Mr. Mbeki, 77, expressed his disappointment with the decision to ban the meeting at a sports stadium in the black township of Zwarte near Port Elizabeth.

"My incarceration and release will have had little meaning if this long nightmare of apartheid and injustice and this alienation of our black brothers is allowed to perpetuate in South Africa," he said, talking softly and deliberately.

Mr. Mbeki made no reference to violence or to his membership of the outlawed African National Congress or the South African Communist Party in his speech.

"I humbly ask you to show your love and affection for me in the manner which will give me the greatest joy," he said, "that is, the joy of dedication to a non-racial, democratic and unfragmented South Africa."

Mr. Mbeki, the former chairman of the African National Congress, served 23 years of a life sentence for sabotage. He said the leaders he left behind in jail and detention were "vital actors" in the creation of a new South Africa.

Apparently in a reference to government initiatives to create interracial dialogue, Mr. Mbeki said victory for blacks would not come through the "pursuit of delusions and contrived toys."

Poland Reports Turnout In Referendum Is Heavy

By Jackson Diehl

Washington Post Service

WARSAW — The government claimed a successful turnout on Sunday as Poles voted in a national referendum on whether to carry out political and economic reforms, including sharp price increases.

Jerzy Urban, the chief government spokesman, said that about 40 percent of Poland's 26 million eligible voters had appeared at polling stations by early Sunday afternoon.

They voted for or against two propositions covering official plans for a "radical healing" of the economy and "Polish model" of political reform.

The early results indicated that the government would record a turnout high enough to insure success for both of the propositions, which require the endorsement of more than 50 percent of all registered voters to win approval.

The vote total is important for the government of General Wojciech Jaruzelski because it indicates to what extent Poles may be ready to accept painful austerity measures, including a doubling of basic

food prices and a tripling of rents and utilities in 1988.

The banned Solidarity trade union condemned the referendum as a propaganda stunt and advised Poles not to vote.

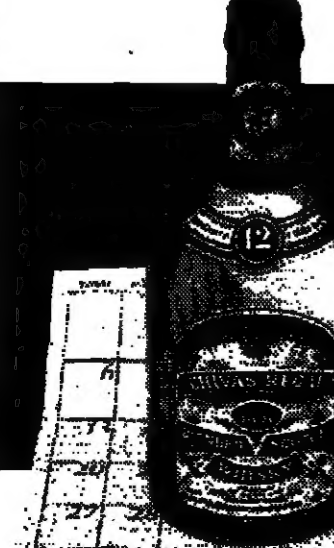
There was no way of verifying the government reports of the turnout, and officials said results from individual voting stations and districts would not be released. Final results are due to be announced Monday.

Demonstrations against the referendum were reported Sunday in Warsaw, Gdansk, Krakow and the southern steel town of Nowa Huta, but Mr. Urban described the overall climate as peaceful.

In Gdansk, marchers shouting "If you want to starve, go and vote" were blocked and dispersed by the police.

Opposition sources said that several thousand protesters participated in the march and that several were beaten by the police.

The referendum, the first in Poland since 1946, was described by officials as a step toward democratization and the "socialist pluralism" promised by the reform plan.



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AMERICAN TOPICS

If Loot Is Confiscated, Who Pays the Lawyer?

It used to be, no matter how ill-gotten a suspect's gains might later prove to be, they could always be spent on a lawyer. The lawyer was always free to take the money and keep it. But federal prosecutors have begun to contend that legal fees should not be held sacrosanct if the money can be traced to illegal sources. The New York Times reports. Criminal lawyers reply that this undermines constitutional guarantees to counsel.

The debate stems from the Federal Comprehensive Forfeiture Act of 1983, which empowers prosecutors to seize and freeze a suspect's funds before trial. Once guilt is established, prosecutors can recoup almost anything purchased with such funds, including fees already paid to attorneys.

Some argue that what the constitution guarantees is a lawyer, not the lawyer of one's choice. As a federal district judge, David Edelstein, once put it, "In the same manner that a defendant cannot obtain a Rolls-Royce with the fruits of a crime, he cannot be permitted to obtain the services of the Rolls-Royce of attorneys from these same tainted funds."

The constitutionality of the law may well be determined in the current case of U.S. vs. Monsanto. Shortly after Peter Monsanto was arrested on heroin charges, the government impounded two houses it said were bought with drug money. Mr. Monsanto was instantly impoverished, and his lawyer quit the case, which is yet to be decided.

Short Takes

U.S. turkey production has reached a record 240 million a year, the equivalent of one 15.6-pound (7-kilogram) bird for every American, according to the U.S. Agriculture Department. Not all, however, are roasted and stuffed in holiday fashion. Since turkey has a mild flavor, it can be converted into turkey salami, pastas,



FOR THE BOY WHO HAS EVERYTHING — Matt Dawley of Phoenix, Arizona, checks the price tag on a toy helicopter at a fashionable store on Rodeo Drive in Beverly Hills, California. The cost of setting it down under one's Christmas tree is \$5,400.

mi, bologna, hot dogs, and even turkey ham and turkey Canadian bacon. These are made with the dark meat. The white meat is packed into loaves for turkey sandwiches.

Not everyone at Columbia University is happy that it received permission from the Ivy League to recruit football players who do not quite meet league academic standards. The New York Times found. The aim was to upgrade the team, which has lost its past 41 games. "We're not a football team," said Mark Phillipson, a senior. Jared Goldstein, student council president, said, "I was psyched for a school that was more excited about its Guggenheim Fellowship than its football team."

For those having trouble keeping track of the various transgressions of presidential candidates, the Washington publication Roll Call offers a "Moral Scorecard." The reader can enter a check mark when a candidate commits an "offense" in such categories as sex, drugs, plagiarism, dirty tricks and unethical behavior. "Now," the paper says, "you can chart the peccadilloes of presidential candidates like an expert."

Doctors' mean income rose 6.5 percent in 1986 to almost \$120,000 annually, the American Medical Association says. This was income before taxes but after all professional expenses had been paid. The increase was well ahead of the 1.1 percent advance in the Consumer Price Index for the year. The association said longer working hours and more surgery caused more of the rise than fee increases. But consumer advocates have called for more government controls, saying physicians are grossly overcharging for services paid by Medicare, the

government health insurance program for the elderly and disabled.

Notes About People

Frank Langella, currently playing the title role on Broadway in "Shakespeare in Love," says theatergoing "should be a simple, easy part of life, not the economic event it's become." Tickets to the play, of which he also is the producer, cost \$27.50 to \$37.50 apiece.

Alexander M. Haig Jr., one of the contenders for the Republican presidential nomination, does not read novels but likes to "flip through" biographies and other nonfiction, his wife, Patricia, told The New York Times. He is not one to help around the house, she said, but when she was decorating it he did suggest that she needed more colors in her off-white scheme.

—ARTHUR HIGBEE

Latin Leaders Pledge Economic Cooperation And Debt Reduction

REUTERS
ACAPULCO, Mexico — The leaders of eight Latin American nations pledged Sunday to work toward a European-style Common Market and ways of reducing their foreign debt burden.

In a closing document called "The Acapulco Commitment for Peace, Development and Democracy," the presidents of Argentina, Brazil, Colombia, Mexico, Panama, Peru, Uruguay and Venezuela agreed to support any one of the eight nations that took measures to limit the servicing of its debt to its capacity to pay.

At the end of the three-day summit meeting, the presidents issued a formal call to leaders of industrialized countries for dialogue leading to "overcoming obstacles to development, the readjusting of the world economy and the taking of decisions on peace and security."

Support for Cuba

Earlier, Larry Rohter of The New York Times reported from Acapulco: The Latin American leaders, in their first summit conference without U.S. participation, agreed that Cuba should be invited to rejoin regional organizations from which it was expelled more than two decades ago.

"There is a consensus among the presidents that we ought to struggle for the total integration of Cuba into the inter-American system," President José Sarney of Brazil said Saturday.

He said Cuba's presence in regional groups was "indispensable" to their normal functioning.

The decision was the only major surprise of the conference, which was called to discuss problems such as the conflict in Central America and foreign debt totaling almost \$400 billion.

Cuba was expelled from the Organization of American States in the 1960s following pressure by the United States.

Not is it a member of the Western Hemisphere's two major economic groups, the Inter-American Development Bank and the Latin American Association for Development and Integration.

The United States has consistently opposed Cuban participation in regional organizations and led efforts to isolate Cuba diplomatically. It argues that Cuba should be considered a member of the Soviet bloc and should not be readmitted to hemispheric groups until it installs democratic institutions, improves human rights and agrees not to interfere in other countries' affairs.

Until recently, Mexico was the only Latin American country to maintain normal diplomatic and commercial relations with Havana. But in recent years, several other countries in the region have moved to restore ties with Cuba.

Diplomats said the initial proposal to invite Cuba to rejoin regional groups was made by President Julio María Sanguinetti of Uruguay, and was strongly supported by Brazil and Peru. Only Venezuela, which has had tense relations with Havana since the early 1960s because of Cuban support for Venezuelan guerrilla movements, was said to have expressed some reservations.

"We think that the difficulties which separated Cuba from the region have been overcome," a Brazilian diplomat said. "It is time for Cuba to come back."

Mr. Castro has indicated his eagerness to participate in any regional forum. Addressing a convention of Latin American economists Thursday in Havana, he expressed hope that the so-

called Group of Eight would open its doors to participation by other Latin American countries.

The presidents' action was the first direct challenge to U.S. policy in a meeting that has been notable thus far for its efforts to avoid direct political confrontations. It was not immediately clear how the eight countries planned to implement the proposal or what response, if any, the Reagan administration would have.

The United States and Cuba have recently made efforts to improve their relations, most notably this month by reactivating an agreement on immigration and political refugees. But Latin American diplomats said Saturday's decision was likely to meet with a frosty U.S. reception.

"Washington would like to control the pace and extent of this sort of thing," a diplomat said.

Participants in the Acapulco meeting said the presidents also discussed the possibility of moving the OAS headquarters from Washington to a Latin American country.

One official said that "there was opposition" to the idea, but that a final position had not been taken.



Presidents Raúl Alfonsín of Argentina, left, Alan García Pérez of Peru and Julio María Sanguinetti of Uruguay looking at the Managua opposition newspaper La Prensa.

60% Shortfall Expected in U.S. Aid For 44 International Organizations

By Paul Lewis
New York Times Service

WASHINGTON — The United States is expected to pay only about 60 percent of its budget share this year to the 44 United Nations and other international bodies to which it belongs, according to Reagan administration and UN officials.

The expected reduction in the U.S. contribution reflects pressure to cut spending to reduce the federal budget deficit, as well as a lack of support in Congress for the United Nations and many affiliated organizations, these officials say.

As a result, the administration is grappling with the problem of how to divide available money among these organizations, with some officials saying that the United States should give most to bodies it thinks best serve U.S. interests and cut back severely on others.

In every case, the United States is the largest single contributor to these organizations, which include

the UN headquarters in New York, the World Health Organization in Geneva, the headquarters of the North Atlantic Treaty Organization in Brussels and the Organization of American States.

The U.S. share of the costs varies from about 25 percent in the case of UN-affiliated bodies such as the World Health Organization to over 60 percent for the OAS and the Pan American Health Organization.

A decision on how to allocate funds will not be made until early December, when the Senate and the House of Representatives resolve differences over how much to spend on these organizations.

President Ronald Reagan asked Congress for \$711 million in the current financial year for international organizations. However, the Senate voted to appropriate only \$355 million while the House ap-

proved \$373 million, but with payment of \$142 million deferred until next year.

Administration officials say they believe the final amount is likely to be close to the Senate figure of \$355 million, or 62 percent of what Mr. Reagan wanted.

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Reagan Pursues 'Nonlethal' Contra Aid

By Neil A. Lewis
New York Times Service

WASHINGTON — The Reagan administration, preparing for a crucial vote on renewed aid to the Nicaraguan rebels early next month, is trying to determine if Congress will allow a requested \$30 million for nonlethal supplies to be used for helicopters and military training for the contras, according to officials in the White House and Congress.

Lieutenant General Colin L. Powell, the national security adviser, is taking a lead role in shaping the administration's contra policy and campaigning for it on Capitol Hill.

General Powell met recently with several Democrats in the House of Representatives to assess how far the administration might be able to go with its request. And over the last few months, officials said, General Powell has been chairman at almost daily meetings at the White House in which he and other officials map the administration's strategy on Nicaragua.

One administration official said the vote could prove to be a "show-down" on the issue of aid to the rebels. "When the issue is cutting off the resistance cold," the official said, "is the Congress willing to do it?"

The official said: "Let's face it, the Congress is not in the mood to pass military aid for the contras right now. But they also are unwilling to abandon them."

As it stands, the budget resolution does not include money for the rebels. But the administration

plans to have Republican supporters in Congress add the request for \$30 million. Under the administration's plan, that money would be called "nonlethal aid." Secretary of State George P. Shultz has said the administration will wait until next year before requesting a new round of full military aid.

A White House official said President Ronald Reagan "is very likely" to veto any budget resolution that does not provide some money for the contras. So far, Congress has approved two budget resolutions for short-term aid, through Dec. 16, that can only be used for food, medicine and clothing.

Administration strategists are evaluating the sentiment in Congress for stretching the restrictions to see if this sort of aid could also include continued military training and even new helicopters.

About two weeks ago, General Powell met with several Democrats on the issue. One purpose of the meeting, in the office of Representative Ike Skelton, Democrat of Missouri, was to gauge the reaction to a proposal to use some of the \$30 million for items other than food, medicine and clothing.

Among the group were Mr. Skelton, John McKittrick Jr. of South Carolina, and Dave McCurdy and Glenn English of Oklahoma, all considered Democratic swing votes on the issue.

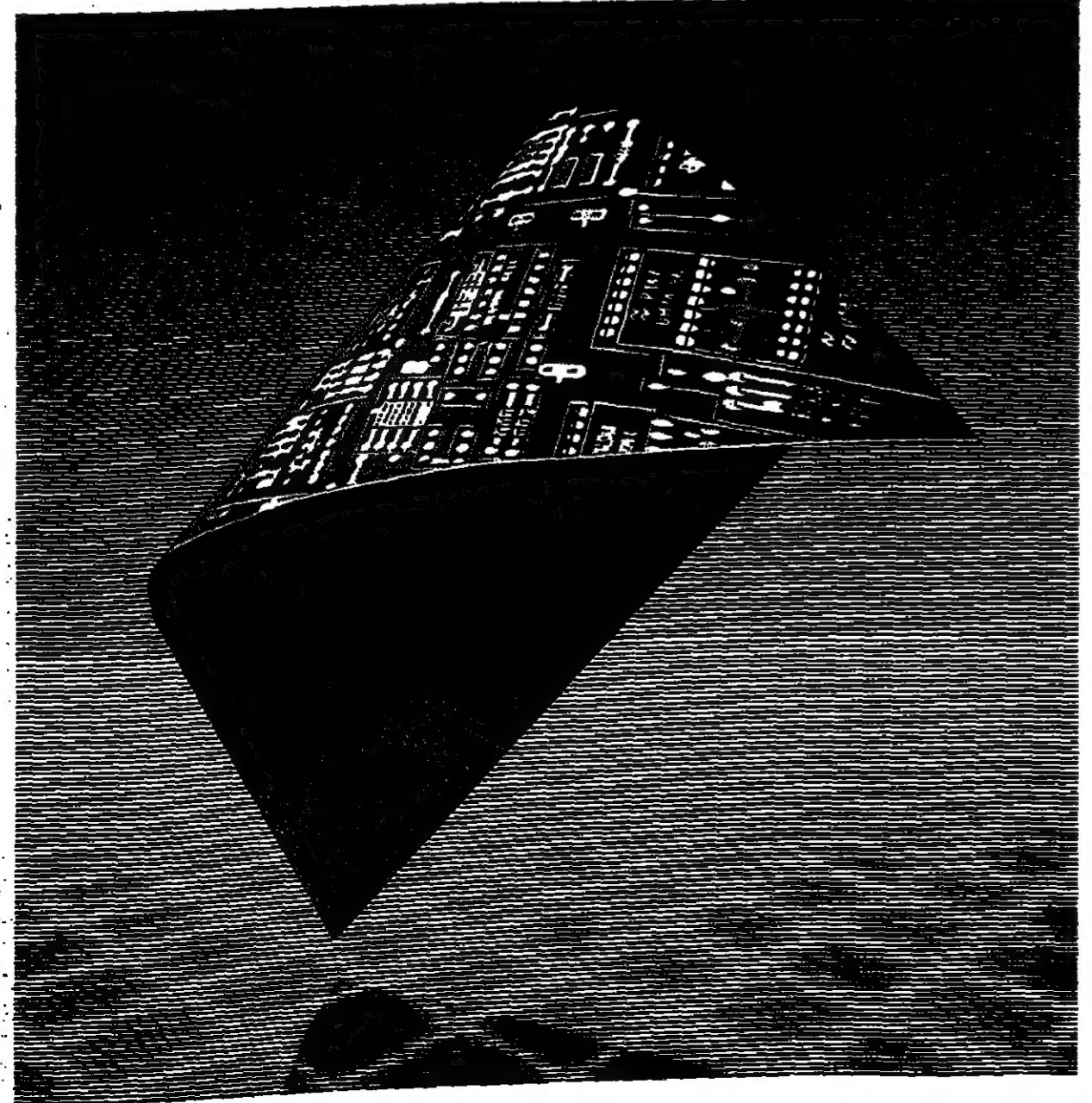
The basic discussion, Mr. Spratt said, centered on the \$30 million request the administration is planning to make.

"We raised some problems with him, what the makeup of the funding would be, what it would go for," he said.

Mr. Spratt said General Powell told them the money would be used for "maintenance of the contras in the field."

The justification offered for the helicopters, Mr. Spratt said, was that they would be needed to deliver supplies. In addition, General Powell told the congressmen that the rebels had some "deferred maintenance expenses" involving military equipment.

Mr. Spratt, who has voted for contra aid in the past, said he would be willing to vote for funds to provide the contras with food and clothing. "I might even go for small arms and ammunition," he added.



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Herald Tribune

Published With The New York Times and The Washington Post

Mush From the Wimps

This Monday, Congress and the administration start trying to keep their timid promise to cut the federal budget deficit by a token \$30 billion. Just how timid and just how token can be gauged by comparing their promise with the economic plan that Jimmy Carter proposed in his last year in office. Here is how the lead story in *The Times* described it on March 15, 1980:

President Carter, declaring that the nation's soaring inflation rate required a program of "pain and discipline," announced today that he would cut federal spending by \$13 billion to achieve a balanced budget next year and that he would impose an immediate fee on imported oil aimed at raising gasoline prices 10 cents a gallon.

Jimmy Carter was fighting double-digit inflation, and all this seemed little and late. An editorial in *The Boston Globe* first appeared with a joke headline: "Mush From the Wimp." That was quickly revised to "All Must Share the Burden." The country has, since then, learned more about mush and wimps, and burdens. Mr. Carter didn't get his spending cut, even with a Democratic Congress. Still, two things stand out in a then-and-now comparison.

First, note that it would then have taken only \$13 billion in cuts to balance the budget. Now the gap is 10 times higher. If Congress comes up with all the supposed \$30 billion reduction, the 1988 deficit will still run more than \$130 billion. And even this token reduction has been promised only be-

cause otherwise the Gramm-Rudman-Holings law would have gone into effect, requiring across-the-board cuts with no discretion. For weeks that harsh law looked like a shark in the water, to be avoided at all costs. It ended up looking more like a lifeboat. With-out its deadlines, the negotiators might well have dithered on indefinitely.

Second, note that President Carter at least tried. He was willing to ask for pain, discipline and a 10-cent gas tax. What is President Reagan willing to ask for? Nothing. He was willing, grudgingly at that, to bargain with Congress. And now, even after agreeing to spending cuts and revenue increases, he brandishes veto threats.

The agreed-on package is not deficit reduction, only an outline of proposals that could bring reductions, of the supposed \$30 billion in 1988 and \$46 billion in 1989. Those figures include dubious, fuzzy and one-time amounts. The negotiators, acting together, could have made genuinely constructive reductions, like restraining Social Security increases for the well-to-do. Having failed to do so creates pressure on programs that literally put food in the mouths of the poor.

Congress and the administration could yet flesh out their outline into a real program, recognizing that all must share the burden. So far, with the president still so passive and House Democrats still so skittish, America's leaders are breathing new, plural life into Mush from the Wimps.

—THE NEW YORK TIMES.

So Who's Protectionist?

The Massachusetts Institute of Technology went shopping for a supercomputer this year, solicited bids and found that the two most attractive were for Japanese-made machines. Before it could conclude a deal, though, it got a letter from Bruce Smart, the undersecretary of commerce for international trade, warning that the Japanese products might be subject to anti-dumping legislation and, thus, added duties on the price. MIT got the point, and so did the companies, which withdrew their bids. MIT has now put its supercomputer plans temporarily on ice.

Did the low Japanese offer constitute "dumping"? In fact, it is widespread practice for computer companies in America and abroad to offer attractive start-up deals to universities. The benefits of training a generation of academic scientists on one's own system, rather than on a competitor's, are obvious. Selling or leasing a supercomputer to MIT would not only put a company's system on display, it would also mean a generation's worth of software written for that system by some of the world's best scientific minds. The Commerce Department is worried lest the U.S. supercomputer industry lose its technological edge over Japan — an edge that lies more in software than in machine power — in a worldwide supercomputer market that is expected to grow enormously. That the department would lend a little to MIT to buy American is therefore not too surprising.

It is, however, a little embarrassing. Just last summer Washington concluded a tough agreement in which the Japanese reluctantly opened their government procurement pro-

cess — which in Japan, unlike America, includes the universities — to allow American supercomputers to compete on a fair basis. At the time, the United States could plausibly argue that its procurement process followed the same rules, since the military is required by statute to pick the cheapest bid. Recently, though, when the Defense Department was found to have adhered to that policy and bought Japanese machines for budgetary reasons, people on the Hill kicked up a fuss, causing defense officials to declare their procedure to be "under review."

There are some respects in which the U.S. companies that make only supercomputers are at a disadvantage when bidding against the broader-based Japanese companies, which can take a loss on one product to break into a market. Rather than confronting such questions, supercomputer companies have let the government apply buy-American pressure on their behalf. Free market forces are supposed to induce companies in such a situation to explore ways of competing more effectively, whether by grouping into consortia, as some high-tech manufacturers are experimentally doing, or by making their products more attractive abroad, as IBM, for example, has successfully done. By contrast, depriving research universities of the equipment they themselves have determined represents the right size of price to the capability is a peculiar way of ensuring continued technological dominance. It is equally bad for America's reputation for the kind of fair play it demands from its trading competitors.

—THE WASHINGTON POST.

Constituencies, Wake Up

The cliché has it that the State Department has no domestic constituency and is therefore vulnerable to ruinous congressional budgetary cuts. But the department does have a constituency, although it is amorphous and diffuse. Every American traveler abroad is a constituent; so is every travel agent and every international airline. All who do business abroad are constituents; so is everyone who is involved in telecommunications, or foreign imports, sales or royalties. So is every American citizen who thinks of foreign policy as the shield of the republic. All these constituencies should be roaring with outrage, especially at a Congress whose Democratic leaders miss no opportunity to fault President Reagan for neglecting diplomacy.

For starters there is Japan, where the rising yen has tempted thousands to visit America, a fine way to reduce the U.S. trade deficit. For lack of personnel, the lines at U.S. consular offices in Tokyo stretch for blocks. Letters and articles in the Japanese press wonder whether the United States is

motivated by racial discrimination. And it is not just in Japan. Thirteen consulates are marked for closing as a result of new cuts. State must absorb an \$84 million shortfall imposed by Congress — this after brutal cuts in two successive budgets. In that time, the department has also lost millions in buying power because of the 40 percent decline in the dollar's value.

Congressional slashers have an answer. They claim that State is miserably mismanaged and that its projected out of 1,270 jobs is deliberately meant to stir alarm. But this claim ignores Congress's own micromanagement of State's budget; it imposes priorities — so much for embassy security, so much for new staff jobs — and then assails the department for "needlessly" closing consulates.

It's a shame. And a folly, since a big power's first line of defense is its diplomatic agents. Americans who rely on overseas offices of the State Department ought to raise their voices against a know-nothing assault by a Democratic Congress.

—THE NEW YORK TIMES.

Other Comment

Turkey Sooner or Later

Turkey is an issue that the whole of the European Community wishes would just go away. It won't, and this Sunday's election won't make it any the more likely that it will. The election is there both to confirm Prime Minister Turgut Ozal in power and to legitimize Turkey's progress to democracy and hence to eventual membership of the EC.

It isn't democracy, of course, or not yet democracy as the rest of Europe might understand it. The timing of the election, the attempts to ban opponents, the continued imprisonment and torture of opponents of the regime are all there to buttress the case of those who would deny Turkey's place as part of Western Europe.

But that is the very last reason for openly

supporting Turkey's request for membership or for pouring scorn on its efforts to democracy. Those efforts are real. Turkey deserves, on grounds of practical politics as much as idealism, to be drawn more closely into Western Europe — all the more so as the agreement on intermediate defense forces emphasizes conventional defense and the specter of American disengagement.

In bringing Greece into the EC the other members have made it difficult to refuse Turkey but impossible to accept her, given Greece's right of veto. Better to accept Turkish membership as a long-term aim but a short-term improbability. But then it becomes all the more essential to tie Turkey into economic arrangements and to encourage her along the civil path she is now pursuing.

—The Observer (London).

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International Herald Tribune, 181 Avenue Charles-de-Gaulle, 92200 Neuilly-sur-Seine, France.
Tel.: (1) 46.37.93.00. Telex Advertising: 613595; Circulation: 612632; Editorial: 612716; Production: 630698.

Directeur de la publication: Walter N. Thayer.

Editor for Asia: Michael Richardson, 5 Cambray Road, Singapore 0511. Tel. 472-7768. Telex 353028
Managing Dir. Asia: Michael Glen, 50 Gloucester Road, Hong Kong. Tel. 3-851044. Telex 61170
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S.A. capital de 1,200,000 F. RCS Nanterre 973021126. Commission Paritaire No. 61337
© 1987, International Herald Tribune. All rights reserved. ISSN: 0294-8052.

OPINION

The Hunt Is On for the Real George Bush

By David S. Broder

WASHINGTON — Vice President George Bush, who inspires jokes on television and satire in sophisticated comic strips, this year is also stimulating political journalists to produce some of the best biographical essays ever done about a presidential candidate.

Perhaps the most remarkable profile, in its depth, was written by Barry Bearak, Miami bureau chief of the *Los Angeles Times*, and on Nov. 22 occupied more than four full pages in that newspaper. A month earlier, Margaret Garrard Warner wrote an insightful cover story on Mr. Bush for *Newsweek* magazine. Back in October 1986, Walt Harrington broke much of the Bush trail in a profile for *The Washington Post Magazine*, and there have been other good ones as well.

These character studies reject the easy Bush caricature. "George Bush is no wimp," Mr. Bearak writes, "certainly not in any sense of cowardice. On the contrary, he is astonishingly resilient and persevering. Nor has he been used to his own sense of political ethics, to the values of his upbringing."

That rearing, in the security of wealth and social position embodied in the landmarks of his formative years, Greenwich, Kenebunkport, Andover and Yale, is light-years removed from the life experiences of most people in the nation he seeks to lead. It gives him what Mr. Harrington calls an "Old Worldly" air. "Born of this century, George Bush embodies much from the last," Mr. Bearak writes in his eloquent concluding paragraph. "He is a man of so much hesitancy, yet a man always forging ahead — a man steered by the voices of a simple and privileged world chanting inside him."

Those voices — most important, that of his dogwood mother, Dorothy, still formidably on the scene — have issued a variety of seemingly conflicting commands: Compete, George, but do not confront. Be successful, but never boastful. Be considerate of others, but always remember who you are.

George Bush emerges in these portraits as something of an innocent. World War II plucked him from a loving, close-knit family where he and the others lived "among as larvae

in a cocoon." Mr. Bearak says. After the war, he and his wife, Barbara, took off for Texas but spiritually never left home. Essentially uninterested in abstract ideas or theories, Mr. Bush has "never been imminently to the great currents of his time," Mr. Harrington observes.

He also has been singularly free of the self-doubt which breeds skeptical reflection or introspection. To search for a core of philosophy or belief in such a man, all three conclude, is fruitless. The point of the political quest for Mr. Bush is the quest itself, honorably pursued. Public service is for him, as for his financier/senator father, as much an obligation as good manners. He has serenely survived many humiliations in a long political career, sustained by the affection he evokes without effort not only from family members but also from the hundreds, even thousands, of friends who warm themselves in his benign personality.

The profiles make clear that Mr. Bush has spent much of his life pleasing others, he likes to be liked. Ronald Reagan is only the latest of many strong figures whose views he has internalized effortlessly as his own.

Through six decades of life, he has successfully balanced extraordinarily high levels of both ambition and deference. The central mystery is what standards would surface once he had

satisfied his ambition by becoming president and no longer had anyone to whom he must defer.

He would be civil, modest and considerate. But what else? On what issues of principle would a President Bush stake, or even sacrifice, his popularity? His record gives no real clues, so the question must be pressed in the coming campaign.

Ray Walker, a psychiatrist-cousin with no special fondness for Mr. Bush, and who appears memorably in Mr. Bearak's profile, suggests that Mr. Bush would strive to please public opinion but, equally, to gain the approval of his chosen political advisers. That means that close attention must be paid not only to the competence and character of those advisers but to the range of their experience and the breadth and diversity of their backgrounds. Campaigning to Republican audiences and consulting with world leaders, which is mostly what Mr. Bush has done for the last third of his life, does not guarantee a clear grasp of the reality of people's lives.

It might not be a bad idea to ask Mr. Bush, at every opportunity, questions designed to test how much of that outside reality has penetrated the protective layers of personal security and social invincibility that the profiles depict at the heart of his extraordinary life. It is as important that he know us as that we know him.

The Washington Post.



THE quintessential team player, George Bush is indistinguishable from the team. By temperament, that is his very impulse. He is not in government so much to lead as to serve. He is politic, cautious and glad to be of use. A genteel upbringing has left its enduring stamp. His deep devotion is to good conduct, not the power of ideas.

His urge is to accommodate, his great gift to blend in. And it is the darndest thing for what a singular life! Chapter by chapter, it is epic stuff. Top athlete. War hero. Yale man. Wildcatter. Millionaire. Off into politics. George Bush, born to privilege and blessed with ability, has lived what others merely dream.

Where many politicians have to manufacture and reinvent themselves, Mr. Bush is the genuine article. He was a star baseball player while Ronald Reagan

only played one in the movies. He was a daring fighter pilot in the Pacific while Reagan flew simulated missions on the back lots of Culver City.

Mr. Bush has been married to the same woman for 42 years and has five children who adore him. Mr. Reagan is divorced, with children he rarely sees. Mr. Bush is a devoted churchgoer; Mr. Reagan seldom feels the need. Yet it is Mr. Reagan who so naturally marches in step to the cadences of God, family and country; who is the courageous sheriff busting through the saloon doors to meet a dare. And it is George Herbert Walker Bush, seven years the faithful sidekick, who is maligned for merely tagging along — George Bush who is reviled from the left and the right as a lap dog, a preppy and a wimp.

—Barry Bearak in the Los Angeles Times.

Throw Out the Case Against Nuclear Disarmament

By Bernt Carlsson

NEW YORK — The start toward real disarmament was made at the summit meeting in Reykjavik in October last year when Ronald Reagan and Mikhail Gorbachev discussed accepting 1996 as the target date for the abolition of all nuclear arms. There has been speculation about their motives. One possible explanation is not given enough attention: that they might be genuinely frightened by the prospect of a nuclear war, no matter how remote the chance.

Meanwhile, many proponents of the nuclear arms race maintain their line. Does deterrence work? Its adherents believe that it is the existence of nuclear weapons which has preserved the peace between the great powers since 1945. That cannot be proved, but there are some strong arguments in favor. Peace would perhaps have been preserved in any event, but that would be even harder to prove. The central argument of the supporters of nuclear weapons can therefore possibly be conceded as correct.

A fallacy remains the assumption that what has happened before will persist indefinitely. It ignores the many risks involved in the nuclear arms race. In a way it is like playing Russian roulette. Instead of the world being safer the longer it has been at peace, it might be the other way round. The past success of deterrence cannot determine future success. Deterrence cannot exclude the risk of accidental war. That risk may be very small in a statistical sense, but it is greater than zero and is increasing. If the policy of deterrence were applied to crime fighting, one could imagine a police chief planning

explosives, all linked to a central push-button control, throughout a city. If a crime occurred anywhere, the whole city would be blown up.

When 40 days without crime had passed, it might be a good idea to consider the possibility of a crime. If later the chief had only the unenviable choice between blowing up the city or letting everyone see that the deterrence mechanism was a fake, the police might be forced at great expense to revert to conventional patrolling. A first step might be to modify the system to one of flexible response; blowing up only those parts of the city in which crime occurred.

It has been argued that the abolition of medium-range missiles would pull several rungs from the ladder of possible responses to aggression. Medium-range missiles are a more credible deterrent than long-range strategic missiles, it is said, and fewer missiles mean fewer options. It is somewhat thought that the Soviet Union would be more willing to accept the destruction of Moscow by a medium-range missile launched from Western Europe than by a strategic missile from North America.

This ignores a basic maxim of Clausewitz that in war the will is directed at an animate object that reacts. It can safely be assumed that if a missile is heading for Moscow, whether strategic or medium-range, the remaining minutes of Washington D.C. are numbered, assuming that Soviet early warning and command structures function. Another argument advanced against nuclear

disarmament is that it would upset the military balance in Europe, where the Warsaw Pact has such superiority in conventional weapons.

Soviet conventional superiority was built up during the 1945-1950 era of U.S. nuclear monopoly. Western Europe was to be held hostage by the threat of invasion as a deterrent against the U.S. nuclear superiority. Subsequently the Soviet conventional superiority was given as the reason for the dependence of the West on nuclear weapons as a deterrent against the perceived Soviet conventional threat. A vicious circle was established.

At the global level, given the vast land boundaries of the Soviet Union, the alleged Soviet conventional superiority is somewhat mythical. But in view of the considerable current edge in numbers in Europe, it is astonishing that a populous and advanced entity such as Western Europe should not be able to match the Warsaw Pact in conventional forces.

One frequent argument in Western Europe is that nuclear weapons are cheaper than the alternative of conventional arms. The cost factor really is the most irrelevant of arguments in discussions of nuclear strategy. What price is reasonable to avoid nuclear war? To set cost against the end of humanity is really the most absurd and repugnant argument. It is the ultimate irresponsibility.

The writer, a former international secretary of the Swedish Social Democratic Party, is United Nations commissioner for Namibia. He contributed this comment, which expresses his personal views only, to the *International Herald Tribune*.

The Drift to Denuclearization Is Well Under Way

By Edward N. Luttwak

This is the first of two articles.

WASHINGTON — For once, the importance of an arms control deal is not being overstated. Last week's INF agreement is important for a much greater reason than the withdrawal of a few hundred warheads. It marks the beginning of a "post-nuclear" era, whose different strategic dangers are being ignored as the two sides argue over the details of verification.

Thousands of nuclear weapons may remain in this post-nuclear world, but they will no longer provide a realistic option for defending Europe, nor offset the weakness of U.S. conventional forces elsewhere in the world. For this reason, Americans may have reason to regret the passing of the nuclear era, for all its obvious dangers.

The decline in the importance of nuclear weapons does not stem from the development of other, more powerful weapons. Nor does it reflect the recent growth in Soviet nuclear capabilities. Rather, it is a continuation of trends that have been evident for 20 years, ever since NATO replaced the defense of South Korea against a non-nuclear invasion from the north. That was still seen as a realistic contingency in the 1960s, and a definite reliance on nuclear weapons was not eliminated from U.S.-Republic of Korea defense plans until well into the 1970s.

Japan is still to be defended by nuclear weapons if its non-nuclear defense fails. Public discourse on the "nuclear umbrella" mostly refers to the dissuasion of a Soviet nuclear attack, but that may not be the real threat, given the acute vulnerability of Hokkaido, the northernmost Japanese island, to a non-nuclear invasion from nearby Soviet territory. It is hard to believe that a U.S. president would authorize nuclear attacks against Soviet forces in response to a non-nuclear invasion of Hokkaido, or that such attacks would be acceptable to American public and congressional opinion.

Europe remains the great question mark. But the trend is clear enough. There, as everywhere else, the political plausibility of extended deterrence has given way to a less threatening geopolitical conception in which such and such Soviet forces are seen as capable of invading this or that theater of war. Accordingly, the response deemed appropriate these days is also more discrete.

The drift to de facto denuclearization has exposed the political implausibility of the various U.S. major guarantees, which are intended to dissuade foes from conventional attack by threatening an American nuclear response. Consider some examples:

Until 1985, Quemoy and Matsu — islands claimed by Taiwan off the Chinese mainland — were to be held by nuclear counterattacks against non-nuclear Chinese artillery barrages under joint U.S.-Republic of China defense plans. At present, the notion that America would use nuclear weapons to defend Quemoy and Matsu seems absurd, but it was not so for the U.S. officials who approved those plans in the 1950s — although they might now look back in disbelief at their thoughts of those days.

The denuclearization drift probably has progressed far enough to rule out the use of nuclear weapons for the defense of South Korea against a non-nuclear invasion from the north. That was still seen as a realistic contingency in the 1960s, and a definite reliance on nuclear weapons was not eliminated from U.S.-Republic of Korea defense plans until well into the 1970s.

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The best index of denuclearization at any one time is the size, quality and cost of the non-nuclear armed forces that the United States and the European members of the Atlantic alliance see fit to maintain. In the 1950s, the various potential fronts — in northern Norway, in Italy and in eastern Turkey, as well as the central front in Germany from the Baltic to the Austrian border — were held only by scattered units to be deployed in long, thin lines. They provided a very poor defense against concentrated armored thrusts, but they were ideal to trigger the nuclear bombardment of the Soviet Union, which was the envisaged response to invasion at that time. Since then, NATO ground forces have grown in size and armament and their logistic capacity for sustained combat has increased.

The very fragility of the alliance defenses of the 1950s added to the credibility of massive retaliation. Similarly, the continuing increase in the capacity and sustainability of NATO combat capabilities not only signals but also promotes the continuing advance of denuclearization. That is because the "robust" defenses that the European allies are forever being asked to provide would merely slow an invasion long enough to allow U.S. Congress time to debate whether nuclear weapons should be used.

That debate would produce only one answer: the exclusion of any use of nuclear weapons.

In the hands of a Hitler or a Pol Pot, nuclear weapons could certainly retain a large role in overall military balances than has ever been the case for U.S. nuclear weapons — because adversaries would believe that such leaders would actually use them, regardless of the consequences.

Moreover, in potential nuclear con-

frontations, Stalin and Mao conceded much less to the risk of nuclear reprisals than many other leaders might have done. Stalin ventured the 1948 Berlin blockade, and Mao attacked U.S. forces in Korea in 1950.

Soviet capabilities, too, have been circumscribed. Pakistan, for example, has not been deterred by nuclear weapons from supporting a war against Soviet forces in Afghanistan.

The Soviets still keep tactical nuclear-delivery means within the unit structure of every army division. But their unprecedented accumulation of non-nuclear combat forces is the best possible indicator of non-nuclear intentions. That, of course, is what makes the U.S. drift toward denuclearization possible — and also so difficult to reconcile with continued security in post-nuclear conditions.

The writer holds a chair in strategy at the Center for Strategic and International Studies and is the author of "Strategy: The Logic of War and Peace." This comment was adapted for *The Washington Post* from a longer version that will appear in *The Washington Quarterly*.

100, 75 AND 50 YEARS AGO

1887: Marches in Quebec

NEW YORK — News from Quebec is startling. The Salvation Army declare that they will walk armed [on Nov. 30], Mobs parade declaring that the Salvation Army will do nothing of the kind. Protestants at Toronto have vainly endeavored to persuade the commander-in-chief to countermand the order to parade, and rumor has it that Cardinal Taschereau has declined to warn Catholics against attacking the Salvationists.

1912: New Balkan State

PARIS — M. Poincaré, the French premier; Marchese di San Giuliano, Italian Minister of Foreign Affairs, and Count Berchtold, Austro-Hungarian Minister of Foreign Affairs, have received telegrams from Ismail Kemal Bey, head of the Provisional Government of Albania, announcing that the Albanian National Assembly proclaimed the independence of the country [on Nov. 29].

Both Sides Will Have To Give

By Jim Hoagland

BONN — Will Mikhail Gorbachev sit down at the Washington summit as a wounded leader with serious problems at home?

Yes, and so will Ronald Reagan. It is a situation that is ripe for disaster if they try to push each other too far. It is also ripe for success if they recognize that they both need a compromise bigger than the Euromissile treaty.

This official and his French and British counterparts want an expanded compromise that includes new protection for the Anti-Ballistic Missile Treaty that the two superpowers signed in 1972. The view in Bonn at high levels is that such a compromise is likely to come out of the summit.

The wish for a deal on the ABM treaty is so strong in Europe that such predictions have to be examined with caution. But Mr. Gorbachev's decision to stop to chat for a few hours with Margaret Thatcher on his way to Washington reinforces this view. It strongly suggests that he is pursuing European help in arranging a bigger deal than the summit and that he thinks he has a good chance of getting it.

This is not a case of Mama Europe telling her two overgrown and loutish neighbors to make nice. Europe's support for the ABM treaty as "the cornerstone" of arms control is based on strong self-interest rather than high moral principle.

The theory behind the ABM treaty was that neither the Soviet Union nor the United States could build a completely effective anti-missile screen. Each superpower could field enough new missiles to overwhelm the other's interceptor systems, and the inevitable race to puncture the screen was seen as dangerously destabilizing.

But the Soviet Union, without the restraints of the ABM treaty, could build an anti-missile system that could contain the medium-sized nuclear arsenals of Britain and France. The countries also share West Germany's fear that American and Soviet generals armed with missile-interceptor systems for their countries might be more tempted than they are now to try to fight limited wars in Europe.

Mr. Gorbachev, who apparently hit it off with Mrs. Thatcher in private in Moscow last March despite her routinely combative public declarations, may be playing for her help not so much at the summit but in the crucial period afterward when the meaning of what he has or has not agreed to with Mr. Reagan is being sorted out.

Like most political compromises, a summit deal beyond the treaty to scrap medium- and shorter-range nuclear missiles will not emerge neatly or in clear focus. Policy makers on this side of the Atlantic would be satisfied, the Bonn officials suggest, with a joint statement committing the superpowers to continue to observe the treaty for another seven to 10 years, even if it shifts the contentious issue of "narrow" vs. "broad" interpretations.

Mr. Reagan would thus not be required to abandon his effort to reinterpret the treaty to permit testing and deployment of key elements of his proposed space-based missile shield, the Strategic Defense Initiative. Mr. Gorbachev's insistence that Mr. Reagan formally renounce the broad interpretation of the ABM treaty led to the abrupt adjournment of the Reykjavik summit last year.

But some European policy makers are beginning to feel that such a Soviet concession might quickly turn out to be more apparent than real, a development that Mr. Gorbachev appears to have understood. A successful summit ending with a vague but new joint endorsement of the ABM treaty would probably lead quickly to action in Congress to bind the United States to the traditional interpretation of the Nixon-Brezhnev accord.

If what European officials are hearing is correct, Mr. Gorbachev will take the high ground in England and in Washington, stressing that he has significantly moderated the Soviet position on the SDI and the ABM treaty and now needs movement from Mr. Reagan. He will point to having gone from ruling out any research or testing in space to wanting to negotiate with Mr. Reagan what kind of research in space is acceptable.

But that approach could backfire if Mr. Reagan concluded that Mr. Gorbachev is on the ropes more than Mr. Reagan is. "This is no time for power plays," says our acquaintance, the German official. "Gorbachev tried it during the visit of George Shultz to Moscow, and the Americans were right to say no deal. He is still strong enough at home to do the same if Reagan pushes him too hard."

The Washington Post.

French Police Arrest Leftist Terrorist Chief

By Steven Greenhouse
New York Times Service

PARIS — The French police have arrested the last leader of Direct Action, the leftist terrorist group that shook France for years with dozens of bombings and the shooting of police officers and business leaders.

The police said Saturday that two officers captured Maxime Frérot, who was France's most wanted fugitive, Friday night after a routine identification check that erupted into a gunfight in an underground garage in Lyon. Mr. Frérot, 31, had long been considered the mastermind of Direct Action bomb attacks.

The police said the arrest of Mr. Frérot, a former paratrooper who had been in hiding for 20 months, would in effect shut down the organization, formed eight years ago.

In February, four other leaders of Direct Action were arrested in a farmhouse hideaway 60 miles (100 kilometers) south of Paris. Three months before, the group took responsibility for the assassination of Georges Besse, the chairman of Renault.

When the police officers approached Mr. Frérot, they asked for identification, and Mr. Frérot, who had a stolen driving license, opened fire, the police said.

One officer, Marc Baquero, returned fire and missed Mr. Frérot.

Device in U.K. Store Defused

Agency France Press
LONDON — Bomb disposal experts defused a small incendiary device hidden in a cigarette packet at Selfridge's department store in London, police said. The homemade device was found on a shelf in the women's clothing department, which was packed with Saturday afternoon shoppers.

but then subdued him after a 10-minute struggle on the garage floor. A taxi driver who heard the scuffle came to Mr. Baquero's assistance.

Then Mr. Frérot told the police officer, "I am Max Frérot." Mr. Baquero said he did not at first recognize Mr. Frérot, who had bleached his brown hair blond.

According to the police, Mr. Frérot has been living in cellars and garages since the arrests of the other Direct Action leaders.

The police said he was responsible for placing a bomb at the Paris police headquarters in July 1986 that killed an inspector in a special task force against organized crime.

Direct Action also was suspected of being responsible for attacks on the European Space Agency, the aircraft manufacturer Dassault, the Elf-Aquitaine oil company, Interpol and Bank Leumi of Israel.

In 1983, Direct Action members killed two police officers in a Paris gunfight. Two members of the group have been charged in the 1986 slaying of the Renault chairman.

Direct Action also took responsibility for the January 1985 assassination of René Audran, a general in charge of arms procurement.

PARIS: Iranian Leaves Embassy for Questioning After 5-Month Deadlock

(Continued from Page 1)

not entitled to diplomatic immunity and could not leave the country without being questioned.

He escaped arrest last summer after apparently receiving a tip-off from the French Foreign Ministry, where officials were worried about potential diplomatic repercussions of tough anti-terrorist policies pursued by Charles Pasqua, Mr. Chirac's interior minister.

A motorcade taking Mr. Gordji to court drove out of the Iranian



Roger Auque, left, and Jean-Louis Normandin, two French hostages who were kidnapped by a pro-Iranian group in Lebanon, on their arrival at Orly Airport in Paris on Saturday.

Embassy and through French police cordons a day after the arrival in Paris of the two French journalists released Friday in Lebanon, Jean-Louis Normandin, 36, and Roger Auque, 31.

Speaking on television Sunday, Mr. Auque said that his captors also held most other Western hostages, including Terry Waite, the envoy of the archbishop of Canterbury, and at least two Americans who were suffering severely.

He said that Mr. Waite, who disappeared in Beirut in January, was held in the room next to him by the same kidnappers.

The information about the Americans, Mr. Auque said, came from a South Korean diplomat, Do Chae Sung, with whom he shared a cell for two weeks before the latter's release last month.

The diplomat, Mr. Auque said, had seen other hostages and reported that "above all the American hostages suffered very much."

The Korean has given few details publicly about his captivity or his captors.

The French hostages' release was handled by the Revolutionary Justice Organization, which also claims to be holding two U.S. hostages: Joseph J. Cicippio, an official of the American University of Beirut, and Edward A. Tracy, 57, an author.

ASIA: Exodus of Talent Leaves a Void for Some Nations

(Continued from Page 1)

tion between Malays and Chinese.

The Malaysian government recently arrested dozens of people, banned public rallies and closed three newspapers. It said the action was necessary to prevent possible racial conflict.

Megat Juid Megat Ayub, the Malaysian deputy minister of home affairs, told Parliament last month that the government was "not concerned with people leaving the country."

Diplomats in Kuala Lumpur said that the governing coalition, in which Malays are the dominant partner, regarded migration of Chi-

nese as a safety valve to reduce their numbers and influence.

However, a Western banker said it meant a serious loss of talent and money for the country.

Since 1980, more than 10,000 migrant visas have been issued to Singapore residents by Australia, Canada and the United States, with the overwhelming majority for Australia.

Australian officials said that about 1,550 migrants from Singapore became permanent residents of Australia in 1986 and that the number would be higher this year.

Many Singapore migrants say that although living standards are among the highest in Asia, they are seeking better housing and quality of life, a more liberal education for their children and an escape from pervasive government controls.

Mr. Lee said that, in the past, Singapore had succeeded in attracting many people from abroad but now found that Canada and Australia were competing aggressively.

To retain its population and gain new migrant talent from Hong Kong and elsewhere, he said, Singapore would have to offer them more satisfying lives.

Bill Hayden, the Australian foreign minister, recently said that since Fiji's armed forces took power in May, saying they were determined to entrench the political dominance of indigenous Fijians,

there had been "a very large-scale movement" of professionals and businessmen out of Fiji.

Officials in Canberra said nearly all the people leaving Fiji were Indians.

The officials said that many of the Indians in the temporary category would probably settle in Australia or other countries. Several thousand Indians had also left Fiji for New Zealand, Canada and the United States, they added.

"There will still be a racial problem in Fiji," he said, "but the country will have lost its most dynamic and best-educated elements."

A study by the Australian government's Development Assistance Bureau said that migration frequently offered benefits to residents of small Pacific islands such as Western Samoa, Tonga, Kiribati, Tuvalu, Cook Islands and Niue.

But the study warned that the most-skilled people might leave, "denuding the local skilled-labor force and impairing the country's development."

This had already happened in the Cook Islands and Niue.

SDI: U.S. Decides Test Limits Are Not a Major Hurdle

(Continued from Page 1)

would interfere with only a handful of tests of Strategic Defense Initiative technology out of dozens envisioned before 1995, according to administration officials.

Several officials in the administration, including Admiral William J. Crowe Jr., the chairman of the Joint Chiefs of Staff, think it may be possible to negotiate limits on testing without fatally compromising "star wars" research.

Admiral Crowe disclosed his view at a secret meeting last month of Mr. Reagan's senior arms control advisers, officials said.

At issue was a Soviet proposal to open negotiations on rules that would govern future tests of space-based defenses — for example, a restriction on the brightness of any laser tested in space to a fraction of the power that would be needed to shoot down enemy missiles.

At the White House meeting, Admiral Crowe told Mr. Reagan that the Soviet proposal was worth

CUBANS:

Hostages Freed

(Continued from Page 1)

said Mr. Echevarria, an English teacher at the Atlanta prison.

He said the Cubans asked him to request that four persons closely involved with the Cuban situation be present at the signing of any final agreement to end the stalemate.

The four are Representative John R. Lewis, Democrat of Georgia, whose district includes the prison; Marvin Shook, a U.S. District Court judge who has presided in many of the Cuban inmates' cases; and Gary Leshaw and Carla Dudek, civil rights attorneys who are members of the Coalition to Support Cuban Detainees.

The Cubans in Atlanta apparently released the four hostages as a goodwill gesture. The move was "a total surprise" to the authorities, said a Justice Department spokesman, Tom Stewart.

Mr. Stewart said the freed hostages had been given preliminary physical examinations and appeared to be in good health.

In Oakland, a videotaped appeal in Spanish by a Cuban-born bishop, Agustin Roman, urging the Cubans to liberate their hostages, was aired three times Sunday morning on eight television monitors at the detention center.

"I come with the hope that all of those who are there in your hands, employees of the jail, return to their families," Bishop Roman told the prisoners. "I want you to release the prisoners who are in your custody, and I want you to demonstrate to the world the good will that every Christian should have in his heart."

His message continued, referring to an agreement with federal officials: "The past will end and the future will begin. Sign the document. You can be sure that what you will have done is good."

(UPI, AP)

MOSCOW: Impact of Gorbachev

(Continued from Page 1)

Gorbachev's two years of playing an active role in national security strategy.

Mr. Gorbachev has clearly raised the consciousness of Western nations and their arms experts with his view that both superpowers could remain secure with vastly reduced arsenals of strategic nuclear missiles and bombers, especially after he proposed deep cuts in nuclear weapons at the summit meeting in October 1986 in Reykjavik.

He has also given unusual exposure to Kremlin thinking on national security policy, which is usually rigidly held secret, and some policies have taken surprising turns.

Soviet officials have buttressed their public call for drastic weapons reductions with the argument that only "reasonable sufficiency" in conventional and nuclear arsenals on both sides is needed.

Soviet and Western specialists are still groping for the levels of weaponry that constitute an adequate defense, however, particularly in the area of conventional arms, where Soviet bloc forces hold a considerable numerical advantage and where sharp cutbacks are crucial to Moscow's efforts to reduce military spending.

In his tenure in office, Mr. Gorbachev's national security policy has been regarded as a matter of trial and error, with the intermediate-range missiles treaty emerging as the first successful venture.

Asked to define the Kremlin leader's security policy, a Soviet arms specialist, Viktor P. Karpov, said, "We are for weapons reductions — conventional, nuclear, chemical."

Besides abolition of all nuclear weapons, added Mr. Karpov, who heads the Foreign Ministry's disarmament agency, "the overall aim is to reduce to levels that would render a conventional attack impossible on both sides."

Mr. Karpov said the intermediate nuclear forces treaty should give an impetus to other arms negotiations that Moscow hopes to seal with the Reagan administration, including an accord to cut long-range missiles on both sides by 50 percent, an agreement on steps toward a ban on nuclear testing, an agreement to cut chemical weapons and an agreement in principle to reduce conventional arms.

But the strategy defined by other Soviet officials as a move toward "minimal sufficiency" in nuclear and conventional weaponry, exists more on paper than in practice.

Moscow seems reluctant to take moves on its own toward "minimal sufficiency." There is no evidence of cutbacks in military spending or in weapons programs under Mr. Gorbachev's leadership, Mr. Gorbachev's security policy started with a review of earlier decisions.

Under the scrutiny of party specialists, several initiatives started by Mr. Gorbachev's predecessors have taken a beating, including the 1979 decision to send Soviet troops into Afghanistan.

The stockpiling of nuclear weapons orchestrated by U.S. and Soviet leaders in the 1970s and 1980s has come under heavier attack, even though these weapons consume a small percentage of military spending in both countries.

2 Vietnam Units Leave Cambodia

Reuter

MOC BAL, Vietnam — A division of soldiers crossed into the border town on Sunday as part of a program of Vietnamese troop withdrawals after almost a decade of fighting in Cambodia.

Two army divisions totaling about 20,000 men were involved in the pullout. Half came from the Cambodian capital of Phnom Penh by road and the rest left by ship from Kampong Som.

Vietnam and Cambodia are calling it the biggest of six annual troop reductions since 1982. The two countries said it signaled the Vietnam Army's intent to leave Cambodia entirely by 1990.

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AREA MANAGER		PRODUCER of equipment for the agricultural sector.
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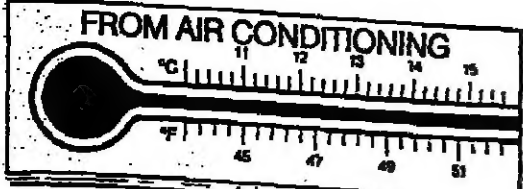
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Belgium B.Fr.	11,000	40	6,000	34	3,300	27
Denmark D.Kr.	2,500	31	1,400	23	770	15
Finland F.M.	1,730	41	950	35	520	29
France F.F.	1,500	41	820	36	450	29
Germany D.M.	580	41	320	35	175	29
Gr. Britain £	130	40	72	34	40	27
Greece Dr.	22,000	45	12,000	40	6,600	34
Ireland £Ir.	150	45	82	40	45	34
Italy Lire	380,000	42	210,000	36	115,000	30
Luxembourg L.Fr.	11,500	37	6,300	31	3,400	25
Netherlands Fl.	650	40	360	34	198	27
Norway (post) N.Kr.	1,800	38	990	32	540	26
— (incl. del.) N.Kr.	2,300	21	1,270	13	700	4
Portugal Esc.	22,000	52	12,000	47	6,600	42
Spain (post) Ptas.	29,000	41	16,000	35	8,800	28
— (incl. del.) Ptas.	42,000	15	21,000	15	10,500	15
Sweden (post) S.Kr.	1,800	38	990	32	540	26
— (incl. del.) S.Kr.	2,300	21	1,270	13	700	4
Switzerland S.Fr.	510	44	280	38	154	32
Rest of Europe, N. Africa, former Fr. Africa, Middle East \$	430	Varies by country	230	Varies by country	125	Varies by country
Rest of Africa, Gulf States, Asia \$	580		320		175	

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Herald Tribune



MONDAY, NOVEMBER 30, 1987

EUROBONDS

Banks Can Run From Risk But They Can't Easily Hide

By CARL GEWIRTZ
International Herald Tribune

PARIS — During the heyday of leading to developing countries, commercial bankers drew great comfort from the fact that the loans were at floating rates of interest. This eliminated what until then had been the classic risk for banks — lending at fixed rates while funding themselves at variable rates.

As was later made clear, the banks merely avoided the exposure on funding costs to face a much larger risk over repayment. One lesson from that experience: Risk can be transferred, but never eliminated.

And from that stems the concern of banking supervisors over the array of innovative instruments permitting financial and nonfinancial institutions to hedge interest and exchange rate exposures.

"The new instruments," said the Cross Report issued by the Bank for International Settlements last year, "transfer price or market risk from one economic agent to another, but do not eliminate that risk. And, in the process, they create new credit exposures, and thereby increase the ways in which the default of one borrower can adversely affect others."

In essence, officials worry that collectively financial markets may be taking greater risks than were originally recognized. The perceived increase in risk to the international financial system stems largely from the wide diffusion of swaps and the lengthening chain of parties involved in these exchanges of debt obligations for a mutual benefit. Often, the company or institution at the end of the chain has no idea who is going to fulfill the obligation in its name. At the same time, there are questions about whether swaps are priced to adequately reflect the risk.

Despite these concerns, not much is known about the swap business. It's estimated that 60 to 70 percent of this year's new-issue activity in the Eurobond market is swap-related. But detailed information on who bears this risk and how they weathered the autumn upheaval in financial markets is still vague.

Interest rate swaps are believed to be the largest part of the new business. According to the International Swap Dealers Association, interest rate swaps amounted to \$67.6 billion in the second quarter of this year, setting a 12-month total of \$227 billion.

FINANCIAL institutions in the United States and Asia accounted for all of the volume increase in the second quarter, based on the end-users of the funds, the ISDA reports. Of those classified as counterparties, 54 percent were from outside the United States — 23 percent in Europe, 27 percent in Asia and 19 percent elsewhere, notably from Canada. Financial institutions accounted for 72 percent of interest rate swap volume, corporations for 22 percent and governments and supranationals for 6 percent.

There is no data on currency swaps, although the ISDA plans to survey dealers about that business as well. Central bank officials who asked not to be identified said that at first glance they take a certain amount of comfort from the fact that the October upheavals in financial markets produced no contagious loss of confidence in financial institutions. There was no threat to the international financial system.

But these officials caution that this does not mean that the increasing use of swaps is any less a danger to the system than the Cross Report indicated.

The October experience "was less of a system threat thanks to the very strong action taken by central banks massively injecting liquidity and pushing down interest rates," said one official. "If things had been left unattended by central banks, then the systemic risk could have been quite large both because the stock prices might have fallen further and interest rates would not have declined."

"We have the means of preventing systemic collapse," this official added. "But that doesn't mean we are not continuing to live in a dangerous world."

Plans are already under way to make swaps a less dangerous business for banks. Next month, the Federal Reserve and the Bank of England are to announce an agreement on defining bank capital and setting common risk ratios for such business as interest rate and exchange rate options. The pact is intended to set a standard for other national authorities.

But one consequence of limiting the risk banks can run in writing swap contracts may be to drive the business outside the relatively tightly regulated banking system to other, less-regulated financial institutions such as securities houses and insurance companies. The deals could even move outside the financial sector altogether to corporate financial departments or to individuals.

Officials are less worried about the possible damage to the

Last Week's Markets
All figures are as of close of trading Friday

Stock Indices	Nov. 27	Nov. 26
DJ Industrials	1,910.48	1,912.63
DJ Averages	1,280.18	1,280.18
DJ Trans.	728.43	728.43
DJ Tech.	722.12	722.12
S & P 500	240.24	240.24
S & P Ind.	275.25	275.25
NVSE Co.	128.16	128.16
FTSE 100	1,651.40	1,652.40
FT 30	1,208.20	1,208.20
Nikkei 225	22,926.45	22,926.45
Hang Seng	2,194.35	2,194.35
MSCI	403.40	403.40

Currency Rates	Nov. 27	Nov. 26
U.S. dollar	1.0000	1.0000
West Germany	1.7363	1.7363
France	6.5495	6.5495
Italy	1.3663	1.3663
Japan	161.01	161.01
Switzerland	1.4536	1.4536
Spain	166.36	166.36
UK	1.6463	1.6463
Canada	0.7456	0.7456
Australia	0.7548	0.7548
South Africa	1.2700	1.2700
India	16.5000	16.5000
China	8.2750	8.2750
South Korea	180.00	180.00
Indonesia	1,548.00	1,548.00
Malaysia	2.3600	2.3600
Philippines	49.0000	49.0000
Singapore	1.3600	1.3600
Thailand	50.0000	50.0000
Taiwan	24.0000	24.0000
Vietnam	20.0000	20.0000
Yugoslavia	13.6000	13.6000
Other Dollar Values		
Argentine	1,000.00	1,000.00
Brazil	1,000.00	1,000.00
Colombia	1,000.00	1,000.00
Costa Rica	1,000.00	1,000.00
Cuba	1,000.00	1,000.00
Dominican Rep.	1,000.00	1,000.00
Ecuador	1,000.00	1,000.00
El Salvador	1,000.00	1,000.00
Honduras	1,000.00	1,000.00
Kenya	1,000.00	1,000.00
Laos	1,000.00	1,000.00
Lebanon	1,000.00	1,000.00
Lithuania	1,000.00	1,000.00
Madagascar	1,000.00	1,000.00
Malawi	1,000.00	1,000.00
Maldives	1,000.00	1,000.00
Mali	1,000.00	1,000.00
Morocco	1,000.00	1,000.00
Mozambique	1,000.00	1,000.00
Niger	1,000.00	1,000.00
Nigeria	1,000.00	1,000.00
Paraguay	1,000.00	1,000.00
Peru	1,000.00	1,000.00
Romania	1,000.00	1,000.00
Rwanda	1,000.00	1,000.00
Saudi Arabia	1,000.00	1,000.00
Senegal	1,000.00	1,000.00
Seychelles	1,000.00	1,000.00
Sierra Leone	1,000.00	1,000.00
Singapore	1,000.00	1,000.00
Slovakia	1,000.00	1,000.00
Slovenia	1,000.00	1,000.00
Somalia	1,000.00	1,000.00
South Africa	1,000.00	1,000.00
South Korea	1,000.00	1,000.00
Spain	1,000.00	1,000.00
Sri Lanka	1,000.00	1,000.00
Sweden	1,000.00	1,000.00
Switzerland	1,000.00	1,000.00
Taiwan	1,000.00	1,000.00
Tanzania	1,000.00	1,000.00
Thailand	1,000.00	1,000.00
Togo	1,000.00	1,000.00
Tonga	1,000.00	1,000.00
Trinidad	1,000.00	1,000.00
Tunisia	1,000.00	1,000.00
Turkey	1,000.00	1,000.00
Uganda	1,000.00	1,000.00
Ukraine	1,000.00	1,000.00
Uruguay	1,000.00	1,000.00
USA	1,000.00	1,000.00
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Ecuador	1,000.00	1,000.00
El Salvador	1,000.00	1,000.00
Honduras	1,000.00	1,000.00
Kenya	1,000.00	1,000.00
Laos	1,000.00	1,000.00
Lebanon	1,000.00	1,000.00
Lithuania	1,000.00	1,000.00
Madagascar	1,000.00	1,000.00
Malawi	1,000.00	1,000.00
Maldives	1,000.00	1,000.00
Mali	1,000.00	1,000.00
Morocco	1,000.00	1,000.00
Mozambique	1,000.00	1,000.00
Niger	1,000.00	1,000.00
Nigeria	1,000.00	1,000.00
Paraguay	1,000.00	1,000.00
Peru	1,000.00	1,000.00
Romania	1,000.00	1,000.00
Rwanda	1,000.00	1,000.00
Saudi Arabia	1,000.00	1,000.00
Senegal	1,000.00	1,000.00
Seychelles	1,000.00	1,000.00
Sierra Leone	1,000.00	1,000.00
Singapore	1,000.00	1,000.00
Slovakia	1,000.00	1,000.00
Slovenia	1,000.00	1,000.00
Somalia	1,000.00	1,000.00
South Africa	1,000.00	1,000.00
South Korea	1,000.00	1,000.00
Spain	1,000.00	1,000.00
Sri Lanka	1,000.00	1,000.00
Sweden	1,000.00	1,000.00
Switzerland	1,000.00	1,000.00
Taiwan	1,000.00	1,000.00
Tanzania	1,000.00	1,000.00
Thailand	1,000.00	1,000.00
Togo	1,000.00	1,000.00
Tonga	1,000.00	1,000.00
Trinidad	1,000.00	1,000.00
Tunisia	1,000.00	1,000.00
Turkey	1,000.00	1,000.00
Uganda	1,000.00	1,000.00
Ukraine	1,000.00	1,000.00
Uruguay	1,000.00	1,000.00
USA	1,000.00	1,000.00
Venezuela	1,000.00	1,000.00
Zambia	1,000.00	1,000.00
Zimbabwe	1,000.00	1,000.00

Currency Rates	Nov. 27	Nov. 26
U.S. dollar	1.0000	1.0000
West Germany	1.7363	1.7363
France	6.5495	6.5495
Italy	1.3663	1.3663
Japan	161.01	161.01
Switzerland	1.4536	1.4536
Spain	166.36	166.36
UK	1.6463	1.6463
Canada	0.7456	0.7456
Australia	0.7548	0.7548
South Africa	1.2700	1.2700
India	16.5000	16.5000
China	8.2750	8.2750
South Korea	180.00	180.00
Indonesia	1,548.00	1,548.00
Malaysia	2.3600	2.3600
Philippines	49.0000	49.0000
Singapore	1.3600	1.3600
Thailand	50.0000	50.0000
Taiwan	24.0000	24.0000
Vietnam	20.0000	20.0000
Yugoslavia	13.6000	13.6000
Other Dollar Values		
Argentine	1,000.00	1,000.00
Brazil	1,000.00	1,000.00
Colombia	1,000.00	1,000.00
Costa Rica	1,000.00	1,000.00
Cuba	1,000.00	1,000.00
Dominican Rep.	1,000.00	1,000.00
Ecuador	1,000.00	1,000.00
El Salvador	1,000.00	1,000.00
Honduras	1,000.00	1,000.00
Kenya	1,000.00	1,000.00
Laos	1,000.00	1,000.00
Lebanon	1,000.00	1,000.00
Lithuania	1,000.00	1,000.00
Madagascar	1,000.00	1,000.00
Malawi	1,000.00	1,000.00
Maldives	1,000.00	1,000.00
Mali	1,000.00	1,000.00
Morocco	1,000.00	1,000.00
Mozambique	1,000.00	1,000.00
Niger	1,000.00	1,000.00
Nigeria	1,000.00	1,000.00
Paraguay	1,000.00	1,000.00
Peru	1,000.00	1,000.00
Romania	1,000.00	1,000.00
Rwanda	1,000.00	1,000.00
Saudi Arabia	1,000.00	1,000.00
Senegal	1,000.00	1,000.00
Seychelles	1,000.00	1,000.00
Sierra Leone	1,000.00	1,000.00
Singapore	1,000.00	1,000.00
Slovakia	1,000.00	1,000.00
Slovenia	1,000.00	1,000.00
Somalia	1,000.00	1,000.00
South Africa	1,000.00	1,000.00
South Korea	1,000.00	1,000.00
Spain	1,000.00	1,000.00
Sri Lanka	1,000.00	1,000.00
Sweden	1,000.00	1,000.00
Switzerland	1,000.00	1,000.00
Taiwan	1,000.00	1,000.00
Tanzania	1,000.00	1,000.00
Thailand	1,000.00	1,000.00
Togo	1,000.00	1,000.00
Tonga	1,000.00	1,000.00
Trinidad	1,000.00	1,000.00
Tunisia	1,000.00	1,000.00
Turkey	1,000.00	1,000.00
Uganda	1,000.00	1,000.00
Ukraine	1,000.00	1,000.00
Uruguay	1,000.00	1,000.00
USA	1,000.00	1,000.00
Venezuela	1,000.00	1,000.00
Zambia	1,000.00	1,000.00
Zimbabwe	1,000.00	1,000.00

Move on Montedison Crowns Raul Gardini's Rise

But Tough Job Is Seen for Man Who Would Be King



Raul Gardini



Mario Schimberni

MILAN — Raul Gardini's aggressive move to oust Mario Schimberni as chief executive of Montedison SpA, the chemicals giant, caps a meteoric rise to the top of Italy's financial establishment.

Mr. Gardini, 54, who is chairman of the huge agribusiness company Gruppo Ferruzzi, was known two years ago only as the head of a sleepy, family business started by his father-in-law, Serafino Ferruzzi, in the Adriatic port town of Ravenna.

The self-styled country farmer was considered an outsider to the northern Italian elite, overshadowed by entrepreneurs such as Fiat SpA's Giovanni Agnelli and Olivetti's Carlo de Benedetti.

All that has changed. "The farmer has become king," the influential daily Corriere della Sera said on Friday. "Gardini has grabbed the crown of Montedison with Napoleonic boldness, leaving the backstage of agro-industry for the second-highest seat of Italian capitalism."

Ferruzzi, Montedison's biggest shareholder, said on Thursday that it planned to replace Mr. Schimberni with Mr. Gardini at a board meeting on Dec. 4 because it wanted a larger management role. Many analysts believe that the effort will succeed.

Rumors flourished of a feud between the two men over the past year as Ferruzzi built up his stake in Montedison to about 40 percent. In the past two years, Mr. Gardini has turned Ferruzzi into one of Europe's biggest commodities groups with annual sales of about \$10 billion.

Ferruzzi, Italy's second-biggest private industrial company after Fiat, is now a major international player in the sugar, cereals and oil seeds businesses. With Montedison, it controls the world's ninth-largest chemicals group. Mr. Gardini plans to give the group more of a global dimension next year when he seeks listings on leading world stock exchanges.

Yet many analysts say Mr. Gardini will face a stiff challenge in managing the Ferruzzi-Montedison empire. "Montedison recently put off more than it could chew financially, and I'm not sure that Gardini is

Treasuries
In Week 1

WestLB

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New International Bond Issues

Compiled by Laurence Desmettes

Issuer	Amount (millions)	Maturity	Coupon %	Price	Price end week	Terms
FLOATING RATE NOTES						
Flash IV	\$30	1992	0.20	100.10	—	Over 6-month Libor, Noncallable, Fees 0.11%, Denominations \$100,000.
Council of Europe	DM 250	1996	libor	100	99.90	Interest will be pegged to 6-month Libor. Callable at par in 1993. Exchangeable in 1990 and 1991 for a fixed-rate noncallable bond paying 6 1/2%, due 1996 and priced at 100%. Fees 0.25%.
European Investment Bank	m.200,000	1995	1/4	100	—	Over 6-month Libor, or over average of 6-month Italian Treasury bills and domestic 6-month Libor interbank rate, plus 1/4%, if latter is less than 1/4% point below Libor. Callable at par in 1988. Fees 0.25%.
Council of Europe	¥10,000	1994	0.55	100.20	—	Below Japanese long-term prime rate, semiannually. Callable at par in 1987. Fees 0.25%. Denominations 10 million yen.
FIXED-COUPON						
Finland	\$100	1992	9%	101 1/4	99.45	Noncallable, Fees 1/4%.
Asian Development Bank	DM 200	1994	6	100 1/4	99.50	Noncallable, Fees 2%.
East Asiatic Company	DM 150	1992	5%	100	98.45	Noncallable, Fees 2%.
Infinitum	DM 50	1993	5%	100	—	Noncallable private placement.
IMI Bank Int'l	ECU 100	1991	8	101 1/4	99.88	Noncallable, Fees 1 1/4%.
Belgium	¥55,000	1992	5%	102 1/4	100.88	Noncallable, Fees 1 1/4%. Denominations 25 million yen.
EQUITY-LINKED						
Ranks Hovis McDougall	£59	2003	open	100	100.00	Coupon indicated at 4% to 5%. Redeemable in 1993 to yield 9 1/4%. Convertible at 350 pence per share, a 1% premium. Fees 2 1/2%. Terms to be set Dec. 8.

EUROBONDS: Banks Can't Escape Swap Risk

(Continued from first finance page)

financial markets from overexposure of nonfinancial companies or individuals because their capacity for leveraging positions is much smaller.

However, securities houses will clearly be the next target for regulators. Even before the October crisis, the Bank of England had announced its intention to seek tougher capital requirements in that sector.

Jeffrey R. Shafer, a counselor for international economic policies at the Organization for Economic Cooperation and Development, argues that governments go further. In an essay on "Managing Crises" in the autumn edition of the OECD Economic Studies, he says "there is a greater need for coordination among financial supervisors... consolidating regulatory and supervisory responsibilities in countries where they are now spread among several authorities. And there is a greater need for coordination internationally."

Meanwhile, activity in the Euro-

bond market last week remained subdued, with the promised U.S. budget cuts not restoring confidence and the dollar still under attack.

The largest issue was for Belgium, which tapped the Euroyen sector for \$5 billion. The proceeds will be used to refinance a \$400 million floating rate note which was due to have matured in 2004.

Belgium set a coupon of 5% percent on its seven-year bonds which were offered at a price of 102 1/4. Subtracting the 1% percent underwriting fees, the paper yielded 3 1/4 percent. The market, in the words of one dealer, considered it a "blow-out — well priced, and appealing to investors who prefer heavy, liquid issues."

Finland tapped the dollar sector, raising \$100 million which will be swapped into floating-rate dollars and then into sterling. However, the relatively small size was a drawback to investors who now consider issues below \$250 million to be potentially illiquid investments.

Its five-year notes were priced at 101 1/4 bearing a coupon of 9 1/4 percent. Less the fees of 1 1/4 percent, the paper was offered to yield 7 1/4 basis points more than comparably dated U.S. government paper.

The Deutsche mark sector was buoyed by last week's quarter-

point cut in the Bundesbank's repurchase rate and anticipation of an impending cut in its 3 percent discount rate.

The Asian Development Bank had the best reception with a moderately large issue of 200 million DM.

The first equity-linked issue since the October stock market collapse was announced for Ranks Hovis McDougall PLC, the British food company. But the exercise was expensive: The company offered investors the right to redeem the 15-year sterling bond after five years for a yield of 9 1/4 percent — a half-point above the current yield on British government paper.

This option appealed to the current defensive attitude of investors, who would like to hold equities but are reluctant because of the current market uncertainty. Thus, if the stock price falls to appreciate much over the next five years, they can redeem the paper and pocket more than if they had invested in gilts.

Worth noting, Ranks Hovis has the right to effect conversion into cash rather than stock. This makes little difference to investors, who can use the cash to buy the stock if they want. But it does give the company the right to prevent any undesirable investors from acquiring a large block of stock, and thus voting rights, via this convertible.

Japan's Influential Mr. Saito Points a Mirror at U.S.

For some Japanese, Eishiro Saito, as head of the country's most powerful employers' organization, the Keidanren, exercises influence on par with the finance minister or central bank governor. As a new government takes shape in Tokyo, faced with the challenge of adapting policies to reflect Japan's growing power in the international economy, Mr. Saito spoke in Tokyo with John Vinocur, executive editor of the IHT. Mr. Saito's remarks were made through an interpreter.

Q. Where do you think the dollar and yen will stabilize and how long a period of time will it take to get to that stabilization?

A. This is a very often-asked question and nobody can answer it on any firm economic ground, because a question of this sort, we feel is 50 percent economic and 50 percent psychological.

Q. Let me move in a more fruitful direction, then. At what level — dollar/yen — do Japanese industries begin to hurt?

A. Again, the answers are relative. In September 1985, the exchange rate was 250 yen to the dollar. It went to 200 and to 210, and I remember we used to say that 200 and 210 was as far as we could go and tolerate it, economically. But then the yen started going up to 180 and 150. That's the latest thinking on the ultimate level of exchange rate that we can tolerate.

Q. But you've been living with 135/140, and from this fact can we conclude that currency rates are simply not the solution to the trade imbalance?

A. Well, I agree with you. Currency alignment is not the only way. It has to be coupled with other efforts of that nature, especially in terms of strengthening the competitiveness of American industry — of better price and better quality, which of course does not mean that there are not areas where Japan should not do its own homework, like encouraging imports.

Q. Let me take another example: the construction projects in Japan. What's your position on American firms' involvement in those projects?

A. Well, I realize that the United States has been demanding, asking some kind of a reciprocal arrangement involving public works projects. But Japan's position is that this program must first be worked out by having the United States, Japan and other countries come to the table and devise some rules for this program.

Q. Americans would answer: That's a dodge. How do you react to that?

A. Well, I think it is wrong to say that such positions by the Japanese government are "a dodge" or "evasion of the issues." But as far as the United States is concerned, each state has different rules and regulations

allowing foreign builders to participate in particular construction projects of that state.

We have made every effort to try to increase imports from abroad to solve the problem of trade imbalance. Even in construction, if there are non-Japanese industries that are more efficient than we are, then let them come in. And at the same time, the United States should do its own homework as well to make its industries more efficient and improve competitiveness.

Q. Given the dollar's current weakness, how do you regard the continuation of capital flows from Japan to the United States in long-term investment? Do you think they are going to decline?

A. All I can say is that it does not look right for the United States to continue to depend very largely on overseas funds to finance its continuing budget deficit. It first must direct all its efforts and resources to resolving two basic problems bothering the economy: the deepening of the federal budget deficit and the still-aggravating trade imbalance.

Q. Japanese industry seems to proceed quietly in its relationship with European countries that have strong tariff barriers or other protection practices that exclude, for example, Japanese cars or television sets. Yet you are vocal, aggressive in relation to the United States, which is almost a bazaar

— where anyone can walk in. Why is there this distance?

A. I don't think Japan is vocal or as loud-mouthed as you seem to think in relation to the United States. On the contrary, it is America that is more loudmouthed and vocal against us. We have already discussed exchange-rate questions. What is most crucial, in particular in stabilizing foreign exchange rates, is coordination, collaboration and cooperation between and among Japan, the United States and the European countries. This is why I feel very strongly that if a meeting of the Group of Five nations or Group of Seven nations is to be reconvened, all the countries need first to build a secure-enough consensus to coordinate their policies. If the next meeting is going to end up inconclusively because this necessary prior consensus is not there, then we might end up with another major, catastrophic market crash.

Q. More specifics, please. When you're talking about coordination, cooperation, what do we do specifically?

A. What I am saying is very much in line with the sort of things that came out of the Venice economic summit meeting, i.e., surveillance of the performance of economic policies so that there is no major digression from what is agreed upon in terms of exchange rate, etc. To put it more bluntly, these participating countries should try to enforce agreements reached through intervention in the currency market.

Spanish Bank Merger Thrown Into Doubt

Reuters

MADRID — Mario Conde, a young Spanish businessman, appears to have given new impetus to Banco Español de Crédito's struggle with the rival Banco de Bilbao, which has been seeking a merger.

Bank analysts said on Sunday that Bilbao had overestimated its ability to dictate terms to the board of Banesto, as the bank is known, and was faced by a formidable opponent in Mr. Conde.

Mr. Conde appeared to have strengthened his influence over Banesto's board after the managing director, José María López de Letona, resigned on Saturday. A bank spokesman said Mr. Conde had been appointed deputy chairman.

After Bilbao's chairman, José

Maria Sánchez Asialan, met with Mr. Conde, Bilbao on Saturday put off a news conference at which it had been expected to launch a hostile bid for Banesto. Earlier this month, Banesto rejected what Bilbao termed a friendly bid.

"I think Banco de Bilbao thought they would have the whole deal sewn up in three days and they now look as if they are losing the initiative," an official at a major Spanish bank said.

Mr. Conde, 38, and his business partner, Juan Abello, recently acquired an estimated 5 percent to 8 percent stake in Banesto.

Banesto is Spain's second bank and Bilbao is normally ranked third. A merger between the two would create Spain's largest bank.

Failure of the merger would embarrass the government, which has encouraged mergers as a way of catching up with increased international competition.

A senior manager with Bilbao said a hostile bid had been shelved because Banesto was now willing to discuss a friendly merger.

But one analyst said, "Conde is a very skilled negotiator and is just putting things off."

Last Thursday, the Kuwait Investment Office said it was forming a company with a Spanish construction concern, Construcciones y Contratos SA, to increase its stake in Spain's largest bank, Banco Central SA, to at least 12.25 percent of the bank's shares.

Japan Vehicle Exports Fall

Reuters

TOKYO — Japan's vehicle exports fell 0.6 percent from a year earlier to 533,395 in October, the industry association said Saturday.

SELECTED U.S./J.C. QUOTATIONS

	BID	ASK
Alon Jones Pfr Stop	2 1/2	3
Bitter Corp.	2 1/4	2 3/4
Chiron	13 1/4	13 3/4
GoodWork Food	8	8 1/4
MAG Holdings	2 1/4	2 1/2
NAV-AIR	—	1 1/4
Not. Business Systems	9 1/4	9 3/4

WITH COMMENTS OF CONTINENTAL AMERICAN
These are indicative market prices

Big Buy-Back

Some of the smartest companies in the world were buying their own shares during the October fiasco — anticipating future growth eruptions that the investing public hasn't yet dreamed about. Write, phone or telex for complimentary reports on next takeover industries.

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SHERIDAN MORLEY IN THE IHT EVERY WEDNESDAY WITH PERCEPTIVE CRITICISM OF THE LONDON THEATER

Multi-Option Facilities Are à la Mode In Rush of Programs Before Holiday

By Carl Gewirtz

PARIS — A flood of credit programs was announced last week as bankers rushed to clear their desks ahead of the international credit markets' year-end holidays.

Multi-option facilities, giving borrowers the right to tap various short-term instruments before drawing from the banks, are the fashion, especially for French borrowers.

BSN, the food and drinks company, will tap the market this week for a \$600 million multi-option facility that will run for five years. Because drawings can be made in French francs as well as foreign currencies, underwriters are limited to banks operating in France, who therefore have access to francs.

The annual facility fee will be 5 basis points. Drawing charges will be 10 basis points over the Paris interbank rate for drawings in francs or 2 basis points over the London interbank rate for drawings in foreign currencies. Utilization fees will add 2 basis points for drawing up to one-third of the credit, 4 basis points for up to two-thirds and 6 basis points for more than that.

Dollfus Mieg & Compagnie, a French textile manufacturer, is seeking a five-year multi-option facility of 150 million European Currency Units. The annual fee is 7 basis points and the cost to draw on the loan is set at 17 1/2 basis points over Fibo or 8 1/2 basis points over Libor.

There will be a utilization fee of 5 basis points if more than half the credit is drawn. Front-end fees range up to 7 basis points for banks underwriting 12 million ECU.

Also seeking a five-year multi-option facility, of 80 million ECU, is Leroy-Somer SA, a French maker of industrial electric motors.

The charge on drawings is 10 basis points over Libor and 18 1/2 basis points over Fibo. There are utilization fees of 3 basis points for using more than 33 percent of the facility and 6 basis points for drawing over 66 percent.

The annual facility fee is 7 basis points and participation fees range up to 6 basis points for underwriting 10 million ECU. Credit Lyonnais has been mandated to arrange all three of these operations.

In the international sector, Allied-Lyons PLC, the British food, drinks and hotels group, said it had increased the size of its multi-option facility arranged in June 1986 to \$755 million from \$500 million. An option to draw sterling bills of exchange also has been added to the facility.

Saatchi & Saatchi Co., the world's largest advertising agency, has appointed Chase Manhattan Bank to arrange a \$450 million, five-year multi-option facility. Interest will be set at 10 basis points over Libor, with a utilization fee of 2 1/2 basis points if more than half is drawn.

The annual facility fee is 6 1/4 basis points and front-end fees range up to 6 basis points for banks underwriting \$35 million. The company can ask banks to bid for terms on sterling acceptances or multi-currency bank advances. But to draw in sterling, the company will bear the reserve asset costs of lending banks.

American Brands, a diversified tobacco and foods group, appointed Citicorp to arrange a \$600 million revolving credit facility with a maturity of three years. The loan will pay interest at 20 basis points over Libor and if more than half is drawn there will be a utilization fee of an additional 5 basis points.

There is a commitment fee on any undrawn amounts of 6 1/4 basis points.

A novel feature, aside from the short maturity of the loan, is the

protection given to lenders against a change in the company's credit standing. Its long-term debt is currently rated single-A, but if this should fall to below triple-B, the charge to borrow would increase by 1/4-point.

WPP Group PLC, another British advertising firm, has appointed S.G. Warburg & Co. to arrange a credit. Details were not available, although bankers were surprised that Warburg had won the mandate since Samuel Montagu & Co. is an adviser to the company and had previously arranged back-up financing for the firm.

Marriott Corp. named Credit Suisse-First Boston to set up a \$200 million, seven-year revolving credit facility that will replace an outstanding note issuance facility.

The credit, slightly longer than the maximum five years currently favored in the market, bears a margin of 20 basis points over Libor, and a 10 basis point annual facility fee. The facility replaces a \$150 million note issuance facility set up in 1985 with an identical margin and an annual fee of 12 1/2 basis points.

Statol, Norway's state oil company, is establishing a \$250 million revolving credit facility with a term of six-and-a-half years. Bank of Tokyo said as arranger.

The structure includes a committed revolving facility and an uncommitted short-term advances facility. It carries a margin of 6 1/4 basis points above Libor.

Treasuries' Drop of 3 Points In Week Is Biggest Since May

United Press International

NEW YORK — Prices of U.S. government bonds last week posted their biggest weekly losses since May, with longer-dated issues

dropping more than 3 points on the dollar's weakness and stronger than expected U.S. economic growth.

The bellwether 8 1/4 percent bond due 2017 ended the week sharply down at 97, to yield 9.17 percent, from 100 6/32 the previous week, when it returned 8.86 percent.

Salomon Brothers Inc. blamed the fall on rising commodity prices, a fall in the dollar against the Japanese yen, and "unexpectedly good economic news" that for bond investors contributed to worries about inflation.

Growth in third-quarter gross

national product was revised upwards to a 4.1 percent annual rate from 3.8 percent, and corporate profits in the July-September period showed a 5.2 percent rise from the previous three-month period.

Seasoned corporate and mortgage-backed issues outperformed government bonds, Salomon Brothers said, causing their yield margins above Treasuries to narrow by a further 10 basis points, or hundredths of a percentage point.

U.S. Consumer Rates

	Nov. 27
Two Year Fixed Rate	7.50 %
Money Market Funds	—
Dollar's 7-Day Average	164.4
Bank Money Market Accounts	6.64 %
Bank Rate Money Market	6.64 %
Home Mortgages, FHLLI average	9.47 %

Source: New York Times.

OTC Consolidated trading for week ended Friday.

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(Continued on next page)

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